

# **KANNALAND**

## **MUNICIPALITY**



[These financial statements have not been audited]

**UNAUDITED**

## **FINANCIAL STATEMENTS**

**30 JUNE 2017**

# KANNALAND LOCAL MUNICIPALITY

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# KANNALAND LOCAL MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Kannaland is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

Kannaland Municipality includes the following areas:

*Ladismith*

*Calitzdorp*

*Van Wyksdorp*

*Zoar*

#### MAYOR

*Me M Barry*

#### MAYORAL COMMITTEE

*Me M Barry - Executive Mayor*

*Mr P Antonie- Executive Deputy Mayor*

*Me A Theron- Speaker*

#### MUNICIPAL MANAGER

*Mr R Stevens*

#### CHIEF FINANCIAL OFFICER

*Mr BJ Strydom*

#### REGISTERED OFFICE

*32 Church Street*

*Ladismith*

*6655*

#### AUDITORS

Auditor General South Africa

Private Bag X1,

Chempet, 7442

#### PRINCIPLE BANKERS

Standard Bank, Ladismith

#### ATTORNEYS

*Barry & Mouton Attorneys*

*Anzel Laubscher Attorneys*

*Avontuur and Associates*

#### RELEVANT LEGISLATION

# KANNALAND LOCAL MUNICIPALITY

## MEMBERS OF KANNALAND LOCAL MUNICIPALITY

### WARD

Ward 1  
Ward 2  
Ward 3  
Ward 4  
Proportional  
Proportional  
Proportional

### COUNCILLOR

J. Donson  
W. Meshoa  
M. Barry  
A. Theron  
P. Phillipus  
H. Ruiters  
J. Johnson

## APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of the annual financial statements for the year ended 30 June 2017, which are set out on pages 1 to 88 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2018 and is satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr. R Stevens

**MUNICIPAL MANAGER**

Date: 6-10-2017

# KANNALAND LOCAL MUNICIPALITY

## STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017 R (Actual)	2016 R (Restated)
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>243 540 669</b>	<b>233 224 194</b>
Accumulated Surplus/(Deficit)		243 540 669	233 224 194
<b>Non-Current Liabilities</b>		<b>37 708 871</b>	<b>35 803 215</b>
Long-term Liabilities	2	2 391 091	1 987 699
Employee Benefits	3	12 516 158	12 397 115
Non-Current Provisions	4	22 801 622	21 418 400
<b>Current Liabilities</b>		<b>61 182 923</b>	<b>72 872 011</b>
Consumer Deposits	5	742 252	703 141
Current Employee benefits	6	4 824 373	5 613 001
Provisions	7	-	-
Payables from exchange transactions	8	45 030 391	52 568 924
Unspent Conditional Government Grants and Receipts	9	10 071 597	11 622 121
Current Portion of Long-term Liabilities	2	514 310	2 364 823
<b>Total Net Assets and Liabilities</b>		<b>342 432 464</b>	<b>341 899 420</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>319 651 360</b>	<b>307 683 470</b>
Property, Plant and Equipment	11	314 069 788	301 243 197
Investment Property	12	1 665 249	1 715 456
Intangible Assets	13	100 506	128 706
Capitalized Restoration cost	17	3 798 062	4 579 572
Longterm Receivables			
Investments		17 755	16 539
<b>Current Assets</b>		<b>22 781 103</b>	<b>34 215 950</b>
Inventory	14	448 746	253 037
Investment			
Receivables from exchange transactions	16	4 094 217	15 305 354
Receivables from non-exchange transactions	17	2 475 240	5 230 567
Operating Lease Asset	18	45 964	43 765
Taxes	10	15 439 560	11 110 770
Cash and Cash Equivalents	19	277 375	2 272 457
<b>Total Assets</b>		<b>342 432 464</b>	<b>341 899 420</b>

**KANNALAND LOCAL MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

	Notes	2017 (Actual) R	2016 (Restated) R
<b>REVENUE</b>			
<b>Revenue from Non-exchange Transactions</b>		<b>94 319 440</b>	<b>106 144 345</b>
<b>Taxation Revenue</b>		<b>19 005 347</b>	<b>19 205 151</b>
Property taxes	21	14 899 827	13 987 401
Other Taxation Revenue		4 105 520	5 217 750
<b>Transfer Revenue</b>		<b>68 041 269</b>	<b>81 344 308</b>
Government Grants and Subsidies - Capital	22	24 804 986	35 895 138
Government Grants and Subsidies -Operational expenditure	22	43 231 283	45 287 365
Public Contributions and Donations		5 000	161 804
<b>Other Revenue</b>		<b>7 272 823</b>	<b>5 594 886</b>
Actuarial Gains	3	1 162 508	178 716
Dividends Received		2 954	2 634
Fines		6 107 362	5 413 537
<b>Revenue from Exchange Transactions</b>		<b>76 189 982</b>	<b>71 011 049</b>
Service Charges	23	65 141 332	62 469 029
Rental of Facilities and Equipment		484 266	274 006
Interest Earned - external investments		845 033	265 538
Interest Earned - outstanding debtors		5 422 945	5 125 393
Licences and Permits		280 071	320 497
Agency Services		779 674	762 690
Other Income	24	1 186 346	827 927
Contributed Assets		1 534 460	-
Stock Adjustments		315 031	-
Gain on disposal of Property, Plant and Equipment		200 824	965 969
<b>Total Revenue</b>		<b>170 509 422</b>	<b>177 155 394</b>
<b>EXPENDITURE</b>			
Employee related costs	25	47 709 701	49 688 222
Remuneration of Councillors	26	2 613 106	2 884 270
Debt Impairment	27	30 500 177	18 224 265
Depreciation and Amortisation	28	12 408 080	11 925 328
Impairments/write offs	29	241 548	31 068
Repairs and Maintenance		2 127 735	3 920 257
Finance Charges	30	4 076 925	5 934 423
Bulk Purchases	31	26 557 505	25 421 754
Contracted Services	32	16 011 713	19 836 402
General Expenses	33	17 946 460	21 104 779
Loss on disposal of Property, Plant and Equipment		-	2 935 785
<b>Total Expenditure</b>		<b>160 192 949</b>	<b>161 906 553</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>10 316 473</b>	<b>15 248 842</b>

KANNALAND LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated Surplus/ (Deficit)	Total
	R	R
Balance at 1 JULY 2015	214 635 477	214 635 477
Change in accounting policy		
Correction of error	3 339 876	3 339 876
Restated Balance at 1 JULY 2015	217 975 353	217 975 353
Net Surplus for the year	15 248 841	15 248 841
Balance at 30 JUNE 2016	233 224 194	233 224 194
Net Surplus for the year	10 316 473	10 316 473
Balance at 30 JUNE 2017	243 540 669	243 540 667

# KANNALAND LOCAL MUNICIPALITY

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Notes	30 JUNE 2017 R	30 JUNE 2016 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		67 442 327	66 036 428
Government		71 173 267	89 185 900
Interest		6 267 978	5 390 930
<b>Payments</b>			
Suppliers and employees		(118 511 484)	(118 786 419)
Finance charges	30	(4 076 925)	(5 934 423)
Transfers and Grants			
<b>Cash generated by operations</b>	35	<b>22 295 163</b>	<b>35 892 416</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	11	(23 081 841)	(36 710 730)
Proceeds on Disposal of Fixed Assets		200 824	
Purchase of Intangible Assets		-	(6 940)
Decrease in Long-term Receivables		-	2 186
Decrease in non-current Investments		(1 216)	5 211 564
Decrease in current Investments		-	2 027
<b>Net Cash from Investing Activities</b>		<b>(22 882 233)</b>	<b>(31 501 893)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(1 447 122)	(5 898 673)
Increase in Consumer Deposits		39 111	34 106
<b>Net Cash from Financing Activities</b>		<b>(1 408 012)</b>	<b>(5 864 567)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1 995 081)</b>	<b>(1 474 044)</b>
Cash and Cash Equivalents at the beginning of the year		2 272 457	3 746 501
Cash and Cash Equivalents at the end of the year	36	277 375	2 272 457
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1 995 081)</b>	<b>(1 474 045)</b>

**KANNALAND LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material variances (Amounts over/above R1.6 million)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	277 375	4 000 000	(3 722 625)	Administrative/calculating errors with budget process due to absence of key personnel
Consumer debtors	6 569 457	51 308 000	(44 738 543)	Provision for debt impairment excluded
Other Receivables	15 485 525	6 786 000	8 699 525	Increase in VAT claimable not foreseen
Inventory	448 746	-	448 746	
<b>Total current assets</b>	<b>22 781 103</b>	<b>62 094 000</b>	<b>(39 312 897)</b>	
<b>Non current assets</b>				
Investment	17 755	5 315 000	(5 297 245)	Administrative/calculating errors with budget process due to absence of key personnel
Investment property	1 665 249	1 897 000	(231 751)	
Property, plant and equipment	317 867 850	309 919 000	7 948 850	Due to correction of errors -prior years
Intangible Assets	100 506	128 000	(27 494)	
<b>Total non current assets</b>	<b>319 651 360</b>	<b>317 259 000</b>	<b>7 689 605</b>	
<b>TOTAL ASSETS</b>	<b>342 432 464</b>	<b>379 353 000</b>	<b>(31 623 292)</b>	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowing	514 310	776 000	(261 690)	
Consumer deposits	742 252	669 000	73 252	
Trade and other payables	55 101 988	41 369 000	13 732 988	Administrative/calculating errors with budget process due to absence of key personnel
Provisions and Employee Benefits	4 824 373	-	4 824 373	Administrative/calculating errors with budget process due to absence of key personnel
<b>Total current liabilities</b>	<b>61 182 923</b>	<b>42 814 000</b>	<b>18 368 923</b>	
<b>Non current liabilities</b>				
Borrowing	2 391 091	7 077 000	(4 685 909)	Investment transferred as redemption
Provisions and Employee Benefits	35 317 780	7 710 000	27 607 780	Administrative/calculating errors with budget process due to absence of key personnel
<b>Total non current liabilities</b>	<b>37 708 871</b>	<b>14 787 000</b>	<b>22 921 871</b>	
<b>TOTAL LIABILITIES</b>	<b>98 891 794</b>	<b>57 601 000</b>	<b>41 290 794</b>	
<b>NET ASSETS</b>	<b>243 540 669</b>	<b>321 752 000</b>	<b>(72 914 086)</b>	
<b>COMMUNITY WEALTH</b>				
Accumulated Surplus/(Deficit)	243 540 669	321 751 000	(78 210 331)	Administrative/calculating errors with budget process due to absence of key personnel
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>243 540 669</b>	<b>321 751 000</b>	<b>(78 210 331)</b>	

**KANNALAND LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017**

**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>ASSETS</b>			
Current assets			
Cash		4 000 000	4 000 000
Call investment deposits			
Consumer debtors	51 807 000	(499 000)	51 308 000
Other Receivables	6 786 000		6 786 000
Current portion of long-term receivables			
Inventory			
<b>Total current assets</b>	<b>58 593 000</b>	<b>3 501 000</b>	<b>62 094 000</b>
Non current assets			
Investments	5 315 000		5 315 000
Investment property	1 897 000		1 897 000
Property, plant and equipment	333 143 000	(23 224 000)	309 919 000
Intangible Assets	128 000		128 000
Heritage Assets			
<b>Total non current assets</b>	<b>340 483 000</b>	<b>(23 224 000)</b>	<b>317 259 000</b>
<b>TOTAL ASSETS</b>	<b>399 076 000</b>	<b>(19 723 000)</b>	<b>379 353 000</b>
<b>LIABILITIES</b>			
Current liabilities			
Bank overdraft	189 000	(189 000)	
Borrowing	776 000		776 000
Consumer deposits	669 000		669 000
Trade and other payables	41 369 000		41 369 000
Provisions and Employee Benefits			
<b>Total current liabilities</b>	<b>43 003 000</b>	<b>(189 000)</b>	<b>42 814 000</b>
Non current liabilities			
Borrowing	7 077 000		7 077 000
Provisions and Employee Benefits	7 710 000		7 710 000
<b>Total non current liabilities</b>	<b>14 787 000</b>	<b></b>	<b>14 787 000</b>
<b>TOTAL LIABILITIES</b>	<b>57 790 000</b>	<b>(189 000)</b>	<b>57 601 000</b>
<b>NET ASSETS</b>	<b>341 286 000</b>	<b>(19 534 000)</b>	<b>321 752 000</b>
<b>COMMUNITY WEALTH</b>			
Accumulated Surplus/(Deficit)	341 285 000	(19 534 000)	321 751 000
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>341 285 000</b>	<b>(19 534 000)</b>	<b>321 751 000</b>

**KANNALAND LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material adjustments (Amounts above R1.6 million)
<b>REVENUE BY SOURCE</b>				
Property rates	14 899 827	14 774 000	125 827	
Service charges	65 141 332	68 699 000	(3 557 668)	Administrative/calculating errors with budget process due to absence of key personnel
Rental of facilities and equipment	484 268	265 000	219 268	
Interest earned - external investments	845 033	690 000	155 033	
Interest earned - outstanding debtors	5 422 945	3 570 000	1 852 945	Increase in outstanding debt
Actuarial Gains	1 162 508		1 162 508	
Dividends	2 954	3 000	(46)	
Fines	6 107 362	5 403 000	704 362	
Licences and permits	280 071	210 000	70 071	
Agency services	779 674	705 000	74 674	
Government Grants and Subsidies - Operating	43 236 283	43 245 000	(8 717)	
Other revenue	5 606 897	263 000	5 343 897	Administrative/calculating errors with budget process due to absence of key personnel
Gains on disposal of PPE	200 824	201 000	(176)	
<b>Total Operating Revenue</b>	<b>144 169 976</b>	<b>138 028 000</b>	<b>6 141 975</b>	
<b>EXPENDITURE BY TYPE</b>				
Employee related costs	47 709 701	47 227 000	482 701	
Remuneration of councillors	2 613 106	2 846 000	(232 894)	
Debt impairment	30 500 177	15 566 000	14 934 177	Administrative/calculating errors with budget process due to absence of key personnel
Depreciation & asset impairment	12 649 628	10 474 000	2 175 628	
Finance charges	4 076 925	987 000	3 089 925	External loan decrease due to additional redemption due to transfer of collateral investment
Bulk purchases	26 557 505	30 720 000	(4 162 495)	Administrative/calculating errors with budget process due to absence of key personnel
Other expenditure	36 085 907	30 193 000	5 892 907	Administrative/calculating errors with budget process due to absence of key personnel
Loss on disposal of PPE				
<b>Total Operating Expenditure</b>	<b>160 192 949</b>	<b>138 013 000</b>	<b>22 179 949</b>	
<b>Operating Surplus/(Deficit) for the year</b>	<b>(16 022 974)</b>	<b>15 000</b>	<b>(16 037 974)</b>	
Government Grants and Subsidies - Capital	24 804 986	26 231 000	(1 426 014)	
Contributed Assets	1 534 460	97 000	1 437 460	
<b>Net Surplus for the year</b>	<b>10 316 473</b>	<b>26 343 000</b>	<b>(16 026 527)</b>	

**KANNALAND LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**

**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>REVENUE BY SOURCE</b>			
Property rates	15 064 000	(290 000)	14 774 000
Property rates - penalties & collection charges			
Service charges	66 694 000	2 005 000	68 699 000
Rental of facilities and equipment	170 000	95 000	265 000
Interest earned - external investments	70 000	620 000	690 000
Interest earned - outstanding debtors	1 170 000	2 400 000	3 570 000
Dividends			3 000
Fines	2 002 000	3 401 000	5 403 000
Licences and permits	280 000	(70 000)	210 000
Agency services	700 000	5 000	705 000
Government Grants and Subsidies - Operating	40 015 000	3 230 000	43 245 000
Other revenue	3 116 000	(2 853 000)	263 000
Gains on disposal of PPE		201 000	201 000
<b>Total Operating Revenue</b>	<b>129 281 000</b>	<b>8 745 000</b>	<b>138 026 000</b>
<b>EXPENDITURE BY TYPE</b>			
Employee related costs	50 597 000	(3 370 000)	47 227 000
Remuneration of councillors	2 926 000	(80 000)	2 846 000
Debt Impairment	15 067 000	499 000	15 566 000
Depreciation & asset impairment	12 766 000	(2 292 000)	10 474 000
Finance charges	1 147 000	(160 000)	987 000
Bulk purchases	30 720 000		30 720 000
Grants and subsidies paid			
Other expenditure	33 975 000	(3 782 000)	30 193 000
Loss on disposal of PPE			
<b>Total Operating Expenditure</b>	<b>147 198 000</b>	<b>-9 186 000</b>	<b>138 013 000</b>
<b>Operating Surplus for the year</b>	<b>(17 917 000)</b>	<b>17 932 000</b>	<b>15 000</b>
Government Grants and Subsidies - Capital	54 480 000	-28 249 000	26 231 000
Contributed Assets		97 000	97 000
<b>Net Surplus/(Deficit) for the year</b>	<b>36 563 000</b>	<b>(10 221 000)</b>	<b>26 343 000</b>

**KANNALAND LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**  
**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

	2017 R (Actual)	2017 R (Final Budget)	2017 R (Variance)	Explanations for material variances over/above R2.1 million
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Receipts				
Ratepayers and other	67 442 327	71 670 000	(4 227 673)	Administrative/calculating errors with budget process due to absence of key personnel
Government - operating	46 368 281	43 245 000	3 123 281	Administrative/calculating errors with budget process due to absence of key personnel
Government - capital	24 804 986	26 231 000	(1 426 014)	
Interest	6 267 978	4 260 000	2 007 978	Administrative/calculating errors with budget process due to absence of key personnel
Payments				
Suppliers and Employees	(118 511 484)	(94 056 000)	(24 455 484)	Administrative/calculating errors with budget process due to absence of key personnel
Finance charges	(4 076 925)	(987 000)	(3 089 925)	Administrative/calculating errors with budget process due to absence of key personnel
Transfers and Grants	-	-	-	
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>22 295 163</b>	<b>50 363 000</b>	<b>(28 067 837)</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts				
Proceeds on disposal of Assets	200 824	-	200 824	
Decrease/(Increase) in non-current Investments	(1 216)	(479 000)	477 784	
Payments				
Capital assets	(23 081 841)	(26 341 000)	3 259 159	Administrative/calculating errors with budget process due to absence of key personnel
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(22 882 233)</b>	<b>(26 820 000)</b>	<b>3 937 767</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts				
Borrowing		16 000	16 000	
Increase/(decrease) in consumer deposits	39 111	38 000	1 111	
Payments				
Repayment of borrowing	(1 447 122)	(1 050 000)	(397 122)	
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(1 408 012)</b>	<b>(986 000)</b>	<b>(396 012)</b>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>(1 995 081)</b>	<b>22 547 000</b>	<b>(24 526 081)</b>	Administrative/calculating errors with budget process due to absence of key personnel
Cash and Cash Equivalents at the beginning of the year	2 272 457	(3 205 000)	5 477 457	
Cash and Cash Equivalents at the end of the year	277 375	19 342 000	(19 064 625)	

**KANNALAND LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017**  
**ADJUSTMENTS TO APPROVED BUDGET**

	2017 R (Approved Budget)	2017 R (Adjustments)	2017 R (Final Budget)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Receipts			
Ratepayers and other	11 773 000	59 897 000	71 670 000
Government - operating	40 015 000	3 230 000	43 245 000
Government - capital	54 480 000	(28 249 000)	26 231 000
Interest	2 619 000	1 641 000	4 260 000
Payments			
Suppliers and Employees	(76 842 000)	(17 214 000)	(94 056 000)
Finance charges	(3 042 000)	2 055 000	(987 000)
Transfers and Grants			
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>29 003 000</b>	<b>21 360 000</b>	<b>50 363 000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipts			
Proceeds on disposal of Assets			
Decrease/(increase) in non-current receivables	(479 000)		(479 000)
Decrease/(increase) in non-current investments			
Payments			
Capital assets	(20 823 000)	(5 518 000)	(26 341 000)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(21 302 000)</b>	<b>(5 518 000)</b>	<b>(26 820 000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts			
Borrowing	16 000		16 000
Increase/(decrease) in consumer deposits	38 000		38 000
Payments			
Repayment of borrowing	(1 050 000)		(1 050 000)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(996 000)</b>	<b></b>	<b>(996 000)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>6 705 000</b>	<b>15 842 000</b>	<b>22 547 000</b>
Cash and Cash Equivalents at the beginning of the year	606 000	(3 811 000)	(3 205 000)
Cash and Cash Equivalents at the end of the year	8 360 000	10 982 000	19 342 000

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

##### 1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible where the acquisition cost of an asset could not be determined.

##### 1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

##### 1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

##### 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.5 AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### 1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### 1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts is disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

# KANNALAND MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

### 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2015/16 financial year.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

Standard	Description	Effective Date
<b>Directive 11</b>	<p><b><u>Changes in Measurement Basis Following Initial Adoption of Standards of GRAP</u></b></p> <p>This Directive can be applied when a Municipality elects to change the measurement basis selected for certain assets on the initial adoption of Standards of GRAP</p> <p>No significant impact is expected as the Municipality has no intention of changing its measurement basis.</p>	
<b>GRAP 18 (Original – Feb 2011)</b>	<p><b>Segment Reporting</b></p> <p>The objective of this Standard is to establish principles for reporting financial information by segments.</p> <p>No significant impact is expected as information to a large extent is already included in the appendices to the financial statements which do not form part of the audited financial statements.</p>	<b>1 April 2015</b>
<b>GRAP 20 (Original – June 2011)</b>	<p><b>Related Party Disclosure</b></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	<b>Unknown</b>
<b>GRAP 32 (Original – Aug 2013)</b>	<p><b>Service Concession Arrangements: Grantor</b></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public-sector entity.</p> <p>No such transactions or events are expected in the</p>	<b>Unknown</b>

KANNALAND MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	foreseeable future.	
<b>IGRAP 17</b>	<p><b><u>Service Concessions Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset</u></b></p> <p>This interpretation of the Standards provides guidance to the grantor where it has entered into a service concession arrangement, but only controls a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<b>Unknown</b>
<b>GRAP 105 (Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 106 (Original – Nov 2010)</b>	<p><b>Transfer of Functions Between Entities Not Under Common Control</b></p> <p>The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 107 (Original – Nov 2010)</b>	<p><b>Mergers</b></p> <p>The objective of this Standard is to establish accounting principles for the combined entity and combining entities in a merger.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	<b>1 April 2015</b>
<b>GRAP 108 (Original – Sept 2013)</b>	<p><b>Statutory Receivables</b></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p>	<b>Unknown</b>

**KANNALAND MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

	The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy	
<b>IGRAP 11</b>	<p><b>Consolidation - Special Purpose Entities (SPE)</b></p> <p>The objective of this Interpretation of the Standard is to prescribe under what circumstances an entity should consolidate a SPE.</p> <p>No significant impact is expected as the Municipality does not have any SPE's at this stage.</p>	<b>1 April 2015</b>
<b>IGRAP 12</b>	<p><b>Jointly Controlled Entities non-monetary contributions</b></p> <p>The objective of this Interpretation of the Standard is to prescribe the treatment of profit/loss when an asset is sold or contributed by the venture to a Jointly Controlled Entity (JCE).</p> <p>No significant impact is expected as the Municipality does not have any JCE's at this stage.</p>	<b>1 April 2015</b>
<b>GRAP 109</b>	<p><b>Accounting by Principles and Agents</b></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality's current treatment is already in line with the Standards treatment.</p>	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.9. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### 1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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The same accounting principles will be applied with the recognition of unspent Public Contributions.

#### **1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant as set out in note 1.11 or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

#### **1.12. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

#### **1.13. EMPLOYEE BENEFITS**

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.13.1 Post-Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – “Employee Benefits” (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligations under these plans are valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.13.3 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

#### 1.13.4 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

#### 1.13.5 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### 1.13.6 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.13.7 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment

#### 1.14. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

#### 1.15. PROPERTY, PLANT AND EQUIPMENT

##### 1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Apart from the Landfill site, Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### 1.15.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

<b>INFRASTRUCTURE</b>	<b>YEARS</b>
• Storm water & Roads	3-100
• Electricity	10-67
• Water	6-115
• Sewerage	10-110
• Other	50
<b>COMMUNITY</b>	
• Libraries	100
• Parks & Gardens	50
• Cemetery	35
• Community Halls	35
• Others	75
• Sports Fields and Stadia	50
<b>FINANCE LEASED ASSETS</b>	
• Office Equipment	1-14
<b>LAND AND BUILDINGS</b>	
Buildings	5-140
Land	0
• Rehabilitation of Landfill Sites	10-30
<b>OTHER</b>	
• IT Equipment	1-12
• Furniture & Office Equipment	1-35
• Motor Vehicles	1-26
• Office Equipment	1-14

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

• Plant and Equipment	1-30
• Other	1-30

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

#### 1.15.4 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.15.5 Land and buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For Other Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2008.

### 1.16. INTANGIBLE ASSETS

#### 1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiable criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### 1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

	<u>Years</u>
Computer Software	3-19

#### 1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.16.5 Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2008.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.17. INVESTMENT PROPERTY

##### 1.17.1 Initial Recognition

Investment property is recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the Municipality, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

##### 1.17.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

##### 1.17.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30-120

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.17.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.17.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009

### 1.18 HERITAGE ASSETS

#### 1.18.1 Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

#### 1.18.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

#### 1.18.3 Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.18.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

#### 1.18.5 Application of deemed cost - Directive 7

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

### 1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS

#### 1.19.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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- dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
  - Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### 1.19.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

(b) Internal sources of information

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing
- asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before
- impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit. The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

#### 1.20. INVENTORIES

##### 1.20.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### **1.20.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

#### **1.21. FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### **1.21.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.21.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

##### 1.21.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.21.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.21.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### 1.21.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### 1.21.3 De-recognition of Financial Instruments

##### 1.21.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.21.3.2 Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.21.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

#### **1.22 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

##### **1.22.1 Initial Recognition**

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.22.2 Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- (a) interest or other charges that may have accrued on the receivable;
- (b) impairment losses; and
- (c) amounts derecognised.

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

#### 1.22.3 Derecognition

The Municipality derecognises a statutory receivable when:

- (a) the rights to the cash flows from the receivable are settled, expire or are waived;
- (b) the Municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- (c) the Municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Municipality:
  - (i) derecognise the receivable; and
  - (ii) recognise separately any rights and obligations created or retained in the transfer.

#### 1.23. REVENUE

##### 1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable.

Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised when monies are received, as the Municipality does not have any control over fines issued by other government institutes.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 24 months expires, when all unclaimed deposits into the Municipality's bank account may be treated as revenue. Historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than 24 months as revenue. Although unclaimed deposits are recognised as revenue after 24 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 24 months, in which case it will be expensed.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

#### 1.23.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the Municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### 1.24 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquire; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquire (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.25 RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

#### 1.26. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.27. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.28. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.290. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measures with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

#### 1.30. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

##### 1.30.1 Post-retirement medical obligations and, Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates

and future pension increases. Major assumptions used are disclosed in note 4 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.30.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### 1.30.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service

requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- cost of items with a similar nature currently in the Municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

#### 1.30.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

#### 1.30.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### 1.30.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### 1.30.7 Revenue Recognition

Accounting Policy 1.24.2 on Revenue from Non-Exchange Transactions and Accounting Policy 1.24.1 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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has been performed. Revenue from the issuing of spot fines and summonses have been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

#### **1.30.8 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value at the reporting date of the expected future cash flows to rehabilitate the landfill site. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are recognised in the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

#### **1.30.9 Provision for Staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

#### **1.30.10 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end that is still unused. The actual pre-paid electricity sold per day for the last 7 days during the year under review is used as the estimate for calculating unused units

#### **1.30.11 Componentisation of Infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

#### **1.31. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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#### 1.32. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

#### 1.33. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

#### 1.34. TAXATION

##### 1.34.1 Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/ (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

##### 1.34.2 Deferred tax assets and liabilities

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

## KANNALAND MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

#### **1.34.3 Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity

**LONG-TERM LIABILITIES**

Annuity Loans - At amortised cost  
Capitalised Lease Liability - At amortised cost  
Hire Purchases Liability

2017  
R

2016  
R

2 781 134  
124 267

3 362 132  
990 392

2 905 401  
514 310

4 352 524  
2 364 823

Current Portion transferred to Current Liabilities

Annuity Loans - At amortised cost  
Capitalised Lease Liability - At amortised cost  
Hire Purchases

304 450  
119 880

1 499 684  
864 859

2 391 091

1 987 699

**Total Long-term Liabilities - At amortised cost using the effective interest rate method**

2 391 091

1 987 699

The Municipality entered into an agreement with DBSA on 30 April 2008 to consolidate previous loans with a new rescheduled loan amounted to R11 587 526,79 at a rate of 12,5% to be paid back in 180 monthly instalments. The calculation of the instalments is based on the actual number of days and shall be payable in arrears on the last business day of each month.

The obligations under annuity loans are scheduled below:

**Minimum  
annuity payments**

Amounts payable under annuity loans:

Payable within one year  
Payable within two to five years  
Payable after five years

720 000  
2 880 000  
217 933

720 000  
2 880 000  
937 933

3 817 933  
(1 038 800)

4 537 933  
(1 175 601)

**Less:** Future finance obligations

**Present value of annuity obligations**

2 781 133

3 362 132

The obligations under finance leases are scheduled below:

**Minimum  
lease payments**

Amounts payable under finance leases:

Payable within one year  
Payable within two to five years  
Payable after five years

123 147  
4 454

920 616  
129 040

127 601  
(3 334)

1 049 856  
(59 485)

**Less:** Future finance obligations

**Present value of lease obligations**

124 267

990 391

Leases are secured by property, plant and equipment - Note 11

The Municipality leases printers and copiers from Nashua and Minolta for a 36 months period. The present value of the lease obligations has been determined by discounting the fixed monthly premiums at the prime interest rate.

The Hefcom lease liability relates to the settlement arrangement reached for leasing watermeters. The terms of the agreement are 24 months payments at a fix rate. The present value is determined by discounting the fixed monthly premiums at the prime interest rate.

**EMPLOYEE BENEFITS**

Post Retirement Benefits - Refer to Note 3.1  
Long Service Awards - Refer to Note 3.2

**Total Non-current Employee Benefit Liabilities**

2017  
R

2016  
R

11 111 053  
1 405 104

11 081 427  
1 315 688

12 516 158

12 397 115

Post Retirement Benefits

Balance 1 July  
Contribution for the year  
Interest Cost  
Expenditure for the year  
Actuarial Gain

11 535 027  
492 588  
1 024 598  
(469 400)  
(979 066)

10 726 846  
469 793  
938 405  
(561 817)  
(67 603)

**Total post retirement benefits 30 June**

**Less:** Transfer of Current Portion - Note 6

**Balance 30 June**

11 805 844  
(494 590)

11 535 627  
(454 200)

11 111 053

11 081 427

Long Service Awards

Balance 1 July  
Contribution for the year  
Interest Cost  
Expenditure for the year  
Actuarial Gain

1 499 579  
138 845  
120 431  
(27 278)  
(184 436)

1 478 000  
140 978  
114 348  
(118 015)  
(113 140)

**Total long service 30 June**

**Less:** Transfer of Current Portion - Note 6

**Balance 30 June**

1 547 137  
(142 033)

1 499 578  
(183 590)

1 405 104

1 315 688

**TOTAL NON-CURRENT EMPLOYEE BENEFITS**

	2017	2016
Balance 1 July	13 035 205	12 202 858
Contribution for the year	631 433	640 771
Interest cost	1 145 329	1 052 751
Expenditure for the year	(496 877)	(680 432)
Actuarial Gain	(1 162 508)	(180 743)
<b>Total employee benefits 30 June</b>	<b>13 152 782</b>	<b>13 035 205</b>
<b>Less:</b> Transfer of Current Portion - Note 6	<b>(636 623)</b>	<b>(638 060)</b>
<b>Balance 30 June</b>	<b>12 516 158</b>	<b>12 397 145</b>

**EMPLOYEE BENEFITS (CONTINUE)**

**3.1 Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	47	48
In-service (employee) non-members	67	65
Continuation members (e.g. Retirees, widows, orphans)	15	16
<b>Total Members</b>	<b>129</b>	<b>129</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	4 042 028	3 863 000
In-service non-members	1 369 618	1 368 000
Continuation members	6 193 666	6 505 000
<b>Total Liability</b>	<b>11 605 312</b>	<b>11 736 000</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2016 R	2014 R	2013 R
<b>Total Liability</b>	<b>10 725 849</b>	<b>9 578 000</b>	<b>6 280 000</b>

Experience adjustments were calculated as follows:

	2017 Rm	2016 Rm	2015 Rm	2014 Rm	2013 Rm
Liabilities: loss/(profit)	284 000	(84 000)	151 000	1 780 000	(195 000)

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bontas;  
LA Health  
Key health.  
Hoamed  
Sanwu

Key actuarial assumptions used:

	2017 %	2016 %
<b>i) Rate of interest</b>		
Discount rate	9,62%	9,06%
Health Care Cost Inflation Rate	7,80%	8,15%
Net Effective Discount Rate	1,60%	0,84%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

**ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

	2017 R	2016 R
The amount recognised in the Statement of Financial Position is as follow:		
Present value of fund obligations	11 605 644	11 535 627
<b>Total Liability</b>	<b>11 605 644</b>	<b>11 535 627</b>

The entire fund is unfunded.

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 165 (a).

**Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	11 536 627	10 726 849
Total expenses	1 048 066	876 381
Current service cost	402 598	400 703
Interest Cost	1 024 898	938 405
Benefits Paid	(459 400)	(561 817)
Actuarial (gains)/losses	(978 069)	(67 603)
Present value of fund obligation at the end of the year	11 605 644	11 535 627
<b>Less:</b> Transfer of Current Portion - Note 6	(404 500)	(454 200)
<b>Balance 30 June</b>	<b>11 111 054</b>	<b>11 081 427</b>

**Sensitivity Analysis on the Accrued Liability**

Assumption	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)	% change
Central Assumptions	5,412	6,194	11,606	

The effect of movements in the assumptions are as follows:

Assumption	Change	In service members (Rm)	Continuation members liability (Rm)	Total (Rm)	% change
Health care inflation	1%	6,816	8,838	13,454	16%
Health care inflation	-1%	4,453	5,640	10,094	-13%
Post-retirement mortality	-1 year	4,474	5,653	10,127	-13%
Discount Rate	1%	6,607	8,834	13,440	16%
Discount Rate	-1%	5,619	6,428	12,045	4%
Average retirement age	-1 year	6,031	6,194	12,224	5%
Continuation of membership at retirement	-10%	4,439	6,194	10,832	-6%

Assumption	Change	Current-service Cost (R)	Interest Cost (R)	Total (R)	% change
Central Assumption		405 200	1 092 900	1 589 100	
Health care inflation	1%	612 400	1 270 500	1 882 900	18%
Health care inflation	-1%	404 600	947 600	1 352 200	-15%
Post-retirement mortality	-1 year	410 300	1 049 600	1 459 900	-8%
Discount Rate	1%	605 600	1 137 300	1 743 200	10%
Discount Rate	-1%	514 600	1 135 200	1 650 100	4%
Average retirement age	-1 year	560 400	1 152 400	1 712 800	8%
Continuation of membership at retirement	-10%	403 400	969 300	1 402 700	-12%

2017 2018

**3.2 Long Service Bonuses**

The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses.

114	113
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Key actuarial assumptions used:

	2017 %	2016 %
<b>i) Rate of interest</b>		
Discount rate	8,50%	8,54%
General Salary Inflation (long-term)	6,32%	7,20%
Net Effective Discount Rate applied to salary-related Long Service Bonuses	2,05%	1,34%

The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping"

	2017 R	2016 R
The amount recognised in the Statement of Financial Position is as follows:		
Present value of fund obligations	1 547 137	1 499 578
<b>Net liability</b>	<b>1 547 137</b>	<b>1 499 578</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2015 R	2014 R	2013 R
<b>Total Liability</b>	<b>1 476 009</b>	<b>1 343 896</b>	<b>1 197 256</b>

Experience adjustments were calculated as follows:

	2017	2016	2015
Liabilities: (Gain) / loss	57 979	(71 741)	13 418

Reconciliation of present value of fund obligation:

	2017	2016
Present value of fund obligation at the beginning of the year	1 499 578	1 478 009
Total expenses	231 908	136 709
Current service cost	138 845	140 978
Interest Cost	120 431	114 348
Benefits Paid	(27 276)	(118 815)
Actuarial (gains)/losses	(184 439)	(113 140)
Present value of fund obligation at the end of the year	1 547 137	1 499 578
<b>Less:</b> Transfer of Current Portion - Note 8	(142 033)	(183 800)
<b>Balance 30 June</b>	<b>1 405 104</b>	<b>1 315 658</b>

Sensitivity Analysis on the Unfunded Accrued Liability

Assumption	Change	Liability (Rm)	% change
Central assumptions		1,547	
General salary inflation	1%	1,651	7%
General salary inflation	-1%	1,453	-6%
Discount Rate	1%	1,440	-6%
Discount Rate	-1%	1,658	7%
Average retirement age	-2 yrs	1,308	-10%
Average retirement age	2 yrs	1,704	10%
Withdrawal rates	-50%	1,810	18%

### 3.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosures have been made as defined in GRAP 25.31.

#### CAPE RETIREMENT FUND

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund is in a sound financial position with a funding level of 112.1% (30 June 2014 - 112.0%).

#### DEFINED CONTRIBUTION FUNDS

Council contribute to the SAMWU National Provident Fund, Government Employees Pension Fund, Municipal Council Pension Fund and IMATU Retirement Fund which are all defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

	2017 R	2016 R
Total contributions paid recognised in the Statement of Financial Performance	3 672 009	3 333 877

	2017 R	2016 R
<b>NON-CURRENT PROVISIONS</b>		

Provision for Rehabilitation of Landfill-sites	22 801 622	21 418 400
--	------------	------------

#### Landfill Sites

Balance 1 July	21 418 400	20 316 855
Unwinding of discounted interest	1 383 223	1 101 545
<b>Total provision 30 June</b>	<b>22 801 622</b>	<b>21 418 400</b>
<b>Less:</b> Transfer of Current Portion to Current Provisions - Refer to note 8	-	-
<b>Balance 30 June</b>	<b>22 801 622</b>	<b>21 418 400</b>

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Calitzdorp	Ledersmith	Van Wyksdorp	Zoar	Total
Rehabilitation area (m²)	10 485	15 875	3 510	6 857	
Cost	R	R	R	R	
Preliminary and General	852 330	575 439	276 002	280 477	1 987 248
Site Clearance and Preparation	50 661	41 275	9 142	17 355	118 433

Stormwater Control Measures	1 032 080	933 580	923 851	572 447	3 162 574
Capping	4 058 953	2 819 542	631 193	1 193 994	8 703 682
Leachate Management	329 598	304 797	262 949	208 466	1 105 750
Fencing	818 176	11 145	485 725	11 145	1 104 190
Other	427 128	817 758	398 218	880 930	2 511 034
Contingencies	894 040	488 572	227 187	228 388	1 818 187
Engineering Professional Fees	572 583	386 572	187 420	188 420	1 335 004
Site Supervision	325 837	338 108	250 003	241 771	1 155 510
Total					22 801 821

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

<u>Location</u>	<u>Estimated decommission date</u>	<u>Cost of rehabilitation 2017</u>	<u>Cost of rehabilitation 2018</u>
			R
Calitzdorp	2020	5 959 791	8 407 049
Ladismith	2025	6 686 728	6 289 810
Van Wyksdorp	2024	3 332 709	3 136 404
Zoar	2029	3 812 363	3 584 504
		<u>22 801 623</u>	<u>21 416 366</u>

**CONSUMER DEPOSITS**

Electricity	742 252	703 141
<b>Total Consumer Deposits</b>	<b>742 252</b>	<b>703 141</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>-</b>	<b>-</b>

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

**CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits	494 590	454 200
Current Portion of Long-Serve Provisions	142 033	163 890
Provision for Staff Leave	3 099 625	3 986 973
Staff Bonuses accrued	1 088 126	987 938
<b>Total Current Employee Benefits</b>	<b>4 824 373</b>	<b>5 613 001</b>

The movement in current employee benefits are reconciled as follows:

Provision for Staff Leave

Balance at beginning of year	3 990 973	3 892 710
Contribution to current portion	(817 500)	154 283
Expenditure incurred	(266 848)	-
<b>Balance at end of year</b>	<b>3 099 624</b>	<b>3 986 973</b>

Staff leave accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Staff Bonuses accrued

Balance at beginning of year	987 938	924 915
Contribution to current portion	1 830 201	63 023
Expenditure incurred	(1 730 013)	-
<b>Balance at end of year</b>	<b>1 088 126</b>	<b>987 938</b>

Bonuses are being paid to all municipal staff, excluding section 57 Managers. The balance at year end represent a portion of the bonus that has already vested for the current salary cycle. There is no possibility of reimbursement.

**7 PROVISIONS**

Current Portion of Rehabilitation of Landfill-sites - Note 4

<b>Total Provisions</b>	<b>-</b>	<b>-</b>
-------------------------	----------	----------

**8 PAYABLES FROM EXCHANGE TRANSACTIONS**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
Trade Payables	31 511 074	36 178 104
Pre-Paid Electricity	193 195	155 997
Retentions and Guarantees	2 437 237	2 282 240
Other: Deposits	190 095	210 244
Debtors paid in advance	1 648 418	1 568 196
Other payables	9 052 372	12 174 054
<b>Total Trade Payables</b>	<b>45 038 391</b>	<b>52 668 824</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

Sundry deposits include hall, builders and housing Deposits.

The amert portion of long term liabilities originated as a result of the municipality not settling in full the current portion of the annuity loan as disclosed in note 3.1.

# UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

## Unspent Grants

National Government Grants  
Provincial Government Grants  
Other Grant Providers

10 071 507 11 022 121

2 050 750	2 000 719
5 512 520	7 053 088
2 400 314	2 400 314

## Total Conditional Grants and Receipts

10 071 507 11 022 121

See appendix "D" for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

10

## TAXES

### NET VAT RECEIVABLE/(PAYABLE)

VAT is receivable/payable on the cash basis.

15 430 500 11 110 770

11

## PROPERTY, PLANT AND EQUIPMENT

See attached sheet

**KANNALAND MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

**11 Property, Plant and Equipment**

**30 JUNE 2017**

	Cost		Accumulated Depreciation								
	Opening Balance	Restated Opening Balances	Additions	Work in progress	Disposals/Write off	Closing Balance	Opening Balance	Restated Opening Balances	Depreciation Charge	Transfer to other assets	Disposal of Assets
	R		R		R	R	R		R		
Land and Buildings	9 592 940	9 592 940	-	-	-	9 592 940	1 126 118	1 126 118	150 731	-	-
Land	5 310 872	5 310 872	-	-	-	5 310 872	(0)	(0)	150 731	-	-
Buildings	4 282 068	4 282 068	-	-	-	4 282 068	1 126 118	1 126 118	150 731	-	-
Infrastructure	373 484 603	373 484 603	6 647 460	16 238 253	-	396 370 316	111 958 643	111 958 643	8 909 457	-	-
Electricity	82 805 812	82 805 812	2 375 049	-	-	85 180 861	25 593 349	25 593 349	1 784 441	-	-
Road Transport	73 688 709	73 688 709	4 252 731	-	-	77 851 440	23 634 133	23 634 133	2 500 899	-	-
Sanitation	79 964 997	79 964 997	-	-	-	79 964 997	28 054 767	28 054 767	2 272 989	-	-
Other	719 108	719 108	-	-	-	719 108	130 537	130 537	44 271	-	-
Water Supply	120 342 186	120 342 186	19 680	-	-	120 361 866	34 545 856	34 545 856	2 306 868	-	-
Work in progress	16 053 791	16 053 791	-	16 238 253	-	32 292 044	-	-	-	-	-
Community Assets	23 302 859	23 302 859	-	76 936	-	23 379 795	4 994 276	4 994 276	768 027	-	-
Cemeteries	484 654	484 654	-	-	-	484 654	147 856	147 856	16 442	-	-
Community Halls	10 436 248	10 436 248	-	-	-	10 436 248	1 219 640	1 219 640	299 681	-	-
Libraries	1 425 915	1 425 915	-	-	-	1 425 915	372 267	372 267	41 751	-	-
Other	5 347 833	5 347 833	-	-	-	5 347 833	2 233 608	2 233 608	248 539	-	-
Parks & gardens	1 750 468	1 750 468	-	-	-	1 750 468	160 497	160 497	62 126	-	-
Sports Fields & Stadia	3 394 420	3 394 420	-	76 936	-	3 394 420	860 409	860 409	99 489	-	-
Work in progress	463 322	463 322	-	-	-	540 288	-	-	-	-	-
Lease Assets	710 071	710 071	-	-	(477 460)	232 611	375 651	375 651	64 828	-	(273 878)
Furniture And Other Office Equipment	710 071	710 071	-	-	(477 460)	232 611	375 651	375 651	64 828	-	(273 878)
Other Assets	18 590 574	18 590 574	1 653 652	-	-	20 244 226	5 983 160	5 983 160	1 555 117	-	-
Computers - Hardware/Equipment	1 655 665	1 655 665	84 157	-	-	1 739 821	922 184	922 184	166 536	-	-
Furniture And Other Office Equipment	2 209 614	2 209 614	51 615	-	-	2 261 229	1 358 553	1 358 553	126 430	-	-
General vehicles	3 771 590	3 771 590	-	-	-	3 771 590	2 592 928	2 592 928	110 076	-	-
Other	48 107	48 107	-	-	-	48 107	4 138	4 138	2 058	-	-
Plant & equipment	9 927 282	9 927 282	43 906	-	-	9 971 188	1 105 356	1 105 356	1 228 099	-	-
Specialized Vehicles	978 317	978 317	1 473 974	-	-	1 473 974	21 919	21 919	-	-	-
Work in progress	425 681 047	425 681 047	8 301 112	16 315 189	(477 460)	449 819 889	124 437 848	124 437 848	11 548 161	-	(273 878)

**KANNALAND MUNICIPALITY**  
**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017**

30 JUNE 2016

	Cost		Accumulated Depreciation													
	Opening Balance	Corrections of errors	Restated Opening Balances	Additions	Work in progress	Disposals/Write offs	Closing Balance	Opening Balance	Correction of errors	Restated Opening Balances	Depreciation Charge	Correction of errors	Restated Depreciation	Transfer to other assets	Disposal of Assets	Correction of errors
				R		R		R			R					
Land and Buildings																
Land	32 836 273	(13 757 905)	19 078 368	-	-	(9 485 428)	9 592 940	7 396 944	(5 404 479)	1 992 465	1 145 441	(2 010 560)	(865 119)	-	(1 228)	-
Buildings	26 685 355	(13 908 055)	14 777 300			(9 486 428)	5 310 872	6 311 505	(5 301 675)	1 009 829	1 010 439	(2 020 269)	(1 009 830)		(1 228)	
	4 150 918	150 150	4 301 068			(19 000)	4 282 068	1 085 438	(102 804)	982 635	135 002	9 709	144 711			
Infrastructure																
Electricity	342 761 584	1 267 490	344 029 074	20 711 427	9 811 041	(1 066 939)	373 484 603	106 164 395	(2 284 591)	103 879 805	7 740 214	810 143	8 550 357	-	(606 344)	134 825
Road Transport	63 827 659	18 276 771	82 104 431	701 392			82 805 812	24 380 588	(461 694)	23 918 873	1 360 968	313 508	1 674 476			
Sanitation	70 028 443		70 028 443	3 570 266			73 598 709	21 438 864	(186 906)	21 251 958	2 338 217	43 588	2 382 176			
Other	79 964 997		79 964 997				79 964 997	26 210 942	(438 978)	25 771 963	2 194 993	87 811	2 282 804			
Water Supply	603 227		603 227	115 881			719 108	91 485	(4 775)	86 719	42 446	1 372	43 817			
Work in progress	103 682 868	1 402 358	105 085 226	16 323 899		(1 066 939)	120 342 186	34 042 528	(1 192 237)	32 850 291	1 803 590	363 494	2 167 084		(606 344)	134 825
	24 654 390	(18 411 639)	6 242 750		9 811 041		16 053 751									
Community Assets																
Comenities	22 682 087	-	22 682 087	620 773		-	23 302 859	4 282 703	(54 462)	4 228 241	759 361	6 674	766 036			
Community Halls	484 654		484 654				484 654	169 881	(38 468)	131 414	14 903	1 539	16 442			
Libraries	9 815 475		9 815 475	620 773			10 436 248	1 018 953	(97 002)	921 951	334 111	(36 422)	297 689			
Other	1 425 915		1 425 915				1 425 915	330 516	(135)	330 516	41 746	5	41 751			
Parks & gardens	5 347 833		5 347 833				5 347 833	1 986 343	(1 273)	1 985 070	248 391	148	248 539			
Sports Fields & Stadia	1 750 468		1 750 468				1 750 468	15 650	82 721	98 371	20 733	41 393	62 126			
Work in progress	3 394 420		3 394 420				3 394 420	761 226	(306)	760 920	99 477	12	99 489			
	463 322		463 322				463 322									
Lease Assets																
Furniture And Other Office Equipment	2 583 572	(1 965 424)	618 148	91 923	-	-	710 071	2 280 746	(1 767 350)	513 396	124 603	40 416	165 019	-	(302 764)	(302 764)
	2 583 572	(1 965 424)	618 148	91 923			710 071	2 280 746	(1 767 350)	513 396	124 603	40 416	165 019			
Other Assets																
Computers - Hardware/Equipment	11 907 462	(313 863)	11 593 600	7 305 219	978 317	(1 286 563)	18 590 574	7 721 401	(2 159 698)	5 561 702	945 842	430 745	1 376 587	-	(1 260 970)	305 841
Furniture and Other Office Equipment	1 906 553	(145 949)	1 760 604	126 861		(231 201)	1 655 665	1 219 818	(226 093)	993 724	161 593	66 911	228 504		(218 764)	(81 280)
General vehicles	2 534 477	(281 690)	2 252 788	28 179		(71 353)	2 209 614	1 699 302	(302 863)	1 396 439	121 203	106 648	227 851		(64 820)	(199 917)
Other	4 242 873	200 262	4 443 136			(671 546)	3 771 590	3 636 804	(1 268 471)	2 368 333	192 565	192 539	365 105		(664 923)	504 413
Plant & equipment	48 695		48 695			(588)	48 107	2 767	(172)	2 594	2 046	12	2 058		(598)	74
Work in progress	3 175 464	(86 487)	3 088 977	7 150 179		(311 875)	9 927 282	1 163 710	(362 099)	801 611	468 434	64 636	533 070		(311 875)	82 550
					978 317		978 317									
	412 770 978	(14 769 701)	398 001 276	28 729 342	10 789 368	(11 838 929)	425 681 047	127 846 189	(11 670 581)	116 175 608	10 715 461	(722 581)	9 992 880	-	(1 868 542)	137 902

KANNALAND MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Closing Balance Accumulated Depreciation	Accumulated Impairment					Carrying value	
	Opening Balance Accumulated Impairment	Correction of errors	Restated Opening Balances	Impairments	Transfer to other assets	Disposals/Write off R	Total Closing Balance R
1 276 849	-	-	-	-	-	-	1 276 849
(0)	-	-	-	-	-	-	(0)
1 276 849	-	-	-	-	-	-	1 276 849
120 868 100	-	-	-	-	-	-	120 868 100
27 377 790	-	-	-	-	-	-	27 377 790
26 135 032	-	-	-	-	-	-	26 135 032
30 327 756	-	-	-	-	-	-	30 327 756
174 808	-	-	-	-	-	-	174 808
36 852 714	-	-	-	-	-	-	36 852 714
5 762 303	-	-	-	-	-	-	5 762 303
164 298	-	-	-	-	-	-	164 298
1 519 321	-	-	-	-	-	-	1 519 321
414 018	-	-	-	-	-	-	414 018
2 482 147	-	-	-	-	-	-	2 482 147
222 622	-	-	-	-	-	-	222 622
959 897	-	-	-	-	-	-	959 897
166 602	-	-	-	12 283	-	-	178 884
166 602	-	-	-	12 283	-	-	178 884
7 638 277	-	-	-	25 683	-	-	7 663 961
1 088 721	-	-	-	11 213	-	-	1 099 934
1 484 563	-	-	-	12 119	-	-	1 496 682
2 703 004	-	-	-	975	-	-	2 703 980
6 195	-	-	-	-	-	-	6 195
2 333 455	-	-	-	1 376	-	-	2 334 831
21 919	-	-	-	-	-	-	21 919
135 712 131	-	-	-	37 966	-	-	135 750 097
							314 069 788

KANNALAND MUNICIPALITY  
NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Restated Disposals	Closing balance Accumulated Depreciation	Accumulated Impairment				Carrying value	
		Opening Balance Accumulated Impairment	Correction of errors	Revised Opening Balance	Closing Balance Accumulated Impairments	Total Closing Balance	R
(1 228)	1 126 118	-	-	-	-	1 126 118	8 466 823
(1 228)	1 126 118	(0)	-	-	-	(0)	5 310 872
(471 519)	111 823 818	-	-	-	-	111 958 643	261 525 960
	25 593 349					25 593 349	57 212 463
	23 634 133					23 634 133	49 964 576
	28 054 767					28 054 767	51 910 230
	130 537					130 537	588 571
(471 519)	34 545 856					34 545 856	85 796 330
							16 053 791
	4 994 276	-	-	-	-	4 994 276	18 308 583
	147 856					147 856	336 799
	1 219 640					1 219 640	9 216 608
	372 267					372 267	1 053 648
	2 233 608					2 233 608	3 114 224
	160 497					160 497	1 598 871
	860 409					860 409	2 534 011
							463 322
(302 764)	678 415					375 651	334 419
(302 764)	375 651					375 651	334 419
(955 129)	5 677 319					5 983 160	12 607 414
(300 044)	922 184					922 184	733 480
(264 737)	1 358 553					1 358 553	851 081
(160 509)	2 592 928					2 592 928	1 178 661
(515)	4 138					4 138	43 969
(229 325)	1 105 356					1 105 356	6 821 925
							978 317
(1 730 640)	124 299 946	-	-	-	-	124 437 848	301 243 197

		2017	2016
11	<b>Assets pledged as security:</b>		
11.1	All the assets obtained by financial leases are pledged as security. Carrying value of these assets :	53 727	334 419
	<b>Third party payments received for losses incurred:</b>		
	Payments received (Excluding VAT)		
	Carrying value of assets written off/lost		
	Deficit		
11.2	<b>Effect of changes in accounting estimates</b>		
	During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised. The effect on the current and future periods are as follow :		
		2017 R	2018 R
	Increase In Accumulated Depreciation: Property, plant and equipment		2019 R
	Other Assets	286 794	573 588
	Leased Assets	20 504	41 007
	Infrastructure Assets	927	1 854
			336 138
			32 185
			2 781
11.3	<b>Impairment of property plant and equipment for the year</b>		
	Impairment charges on Property, plant and equipment recognised in statement of financial performance		
	Other Assets		25 663
	Lease Assets		12 283
			37 946
			-
11.4	<b>Property, Plant and Equipment which is in the process of being constructed or developed:</b>		
	Infrastructure Assets	30 701 484	
	Roads	5 600 150	
	Electricity	14 990 463	
	Water Supply	2 864 913	
	Sanitation	7 220 900	
	Community Assets	540 258	
	Other Assets	975 317	
	<b>Total Property, Plant and Equipment under construction</b>	<b>32 226 030</b>	
	<b>Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:</b>		
11.5		30 701 485	
	Infrastructure Assets	610 307	
	Roads (The Upgrading of Queen Street Taxi Route)	4 985 852	
	Roads (Zoar upgrading of gravel roads)	521 381	
	Electricity (Electrification of Shacks in Nissenville)	4 497 020	
	Electricity (Surya Powers)	9 071 193	
	Electricity (Electrification of Houses in Callizdorp)	33 000	
	Water Supply (Store item)	2 851 913	
	Water Supply ( Swartberg dam)	7 064 056	
	Sanitation (Ladismith Waste water treatment works)	166 854	
	Sanitation (Upgrade of Ladismith Waste water treatment works)		
	Community Assets	1 519 575	
	Community Assets (Zoar Cemetery)	290 251	
	Community Assets (Zoar Sports Fields Rehab)	126 085	
	Community Assets (Upgrading of sport fields in Callizdorp)	123 912	
	Kannaland Installation of Water Meters (MIG)	978 317	
	Reasons:		
	Legal constrains and turnover of senior key personnel		

	2017 R	2016 R
<b>11,6 Expenditure incurred to repair and maintain Property, Plant and Equipment:</b>		
Employee related costs	4 276 144	5 175 144
Other materials	1 583 117	3 920 250
Contracted Services	-	-
Other Expenditure	-	-
<b>Total Repairs and Maintenance</b>	<b>5 859 262</b>	<b>9 095 403</b>

	R	R
<b>12 INVESTMENT PROPERTY</b>		
<b>Net Carrying amount at 1 July</b>	<b>1 715 466</b>	<b>1 782 979</b>
Cost	2 183 170	2 183 170
Accumulated Depreciation	(467 714)	(400 182)
Accumulated Impairment	-	-
Acquisitions	-	-
Disposals	-	-
Depreciation for the year	(50 207)	(50 204)
Impairment	-	(17 317)
Transfers from Land and Buildings	-	-
<b>Net Carrying amount at 30 June</b>	<b>1 665 249</b>	<b>1 715 458</b>
Cost	2 183 170	2 183 170
Accumulated Depreciation	(517 921)	(467 714)
Accumulated Impairment	-	-

Impairment charges on Investment Properties: recognised in statement of financial performance

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Revenue derived from the rental of investment property

Operating expenditure incurred on properties generating revenue

	2017 R	2016 R
<b>13 INTANGIBLE ASSETS</b>		
<b>Computer Software</b>		
<b>Net Carrying amount at 1 July</b>	<b>128 706</b>	<b>210 551</b>
Cost	619 489	652 549
Accumulated Amortisation	(490 784)	(442 000)
Additions	-	8 940
Amortisation	(28 200)	(75 031)
Impairments	-	-
Disposals	-	(13 751)
<b>Net Carrying amount at 30 June</b>	<b>100 506</b>	<b>128 706</b>
Cost	619 489	619 489
Accumulated Amortisation	(518 983)	(490 784)

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2017 R	2016 R
Microsoft Office and Windows software	5-10 years		128 706

No intangible asset assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities

There are no contractual commitments for the acquisition of intangible assets.

#### Effect of changes in accounting estimates

During the current year useful lives of assets were re-assessed to ensure that assets' useful lives accurately reflect the remaining useful lives that each will be utilised.

The effect on the current and future periods are as follow :

	2017 R	2018 R	2019 R
Decrease in Accumulated Depreciation	(12 784)	(26 528)	(33 785)

#### 14 INVENTORY

Consumable Stores - Stationery and materials - At cost	338 085	228 064
Water - at cost	110 661	28 373
<b>Total Inventory</b>	<b>448 746</b>	<b>253 037</b>

Consumable stores materials written down due to losses as identified during the annual stores counts.

Consumable stores materials surpluses identified during the annual stores counts.

Inventory recognised as an expense during the year

No inventory assets were pledged as security for liabilities.

#### 15 CAPITALISED RESTORATION COST

<b>Net Carrying amount at 1 July</b>	<b>4 578 573</b>	<b>9 128 976</b>
Acquisitions		-
Additions		-
Depreciation	(781 512)	(761 513)
Change in estimate		(3 765 961)
Impairment		
<b>Net Carrying amount at 30 June</b>	<b>3 798 062</b>	<b>4 578 572</b>
Cost	19 608 592	10 608 592
Accumulated Depreciation..	(7 579 415)	(6 797 903)
Accumulated Impairments..		
Refuse tip-sites financed by way of a provision - Refer to note	3 798 063	4 578 572

#### 16 RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	3 403 583	5 278 174
Water	19 161 807	14 080 888
Refuse	16 828 614	13 514 775
Sewerage	10 587 860	13 462 727
Rentals	82 066	77 606
Sundry Receivables	1 322 817	1 229 238
<b>Total Receivables from Exchange Transactions</b>	<b>57 364 757</b>	<b>48 641 495</b>
Less: Allowance for Doubtful Debts	(53 270 540)	(33 236 142)
<b>Total Net Receivables from Exchange Transactions</b>	<b>4 094 216</b>	<b>15 305 353</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other receivables on initial recognition is not deemed necessary

#### Ageing of Receivables from Exchange Transactions:

##### (Electricity): Ageing

Current (0 - 30 days)	2 192 274	3 043 287
31 - 60 Days	94 850	126 459
61 - 90 Days	89 871	84 914
+ 90 Days	1 020 502	2 021 512
<b>Total</b>	<b>3 403 583</b>	<b>5 278 172</b>

**(Water): Ageing**

Current (0 - 30 days)	1 542 587	2 771 119
31 - 60 Days	554 873	477 050
61 - 90 Days	573 872	494 087
+ 90 Days	10 490 465	11 238 620
<b>Total</b>	<b>19 161 897</b>	<b>14 980 886</b>

**(Refuse): Ageing**

Current (0 - 30 days)	449 717	413 335
31 - 60 Days	315 384	281 768
61 - 90 Days	208 344	257 730
+ 90 Days	15 783 169	12 561 942
<b>Total</b>	<b>16 826 614</b>	<b>13 514 775</b>

**(Sewerage): Ageing**

Current (0 - 30 days)	487 288	535 874
31 - 60 Days	290 003	292 591
61 - 90 Days	273 518	264 808
+ 90 Days	15 557 054	12 369 855
<b>Total</b>	<b>16 587 863</b>	<b>13 462 728</b>

**(Rentals): Ageing**

Current (0 - 30 days)	2 310	2 320
31 - 60 Days	1 874	1 950
61 - 90 Days	1 873	1 626
+ 90 Days	56 039	71 798
<b>Total</b>	<b>62 096</b>	<b>77 694</b>

**(Sundry): Ageing**

Current (0 - 30 days)	45 394	102 525
31 - 60 Days	61 785	15 186
61 - 90 Days	23 593	6 368
+ 90 Days	1 191 035	1 105 140
<b>Total</b>	<b>1 322 817</b>	<b>1 229 219</b>

**(Total): Ageing**

Current (0 - 30 days)	4 700 547	6 868 250
31 - 60 Days	1 316 785	1 195 013
61 - 90 Days	1 261 071	1 109 558
+ 90 Days	50 084 354	39 365 607
<b>Total</b>	<b>57 362 757</b>	<b>48 541 495</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	33 236 142	37 137 540
Contribution to provision/(Reversal of provision)	21 549 330	12 796 508
Bad Debts Written Off	(1 514 932)	(16 607 906)
<b>Balance at end of year</b>	<b>53 270 540</b>	<b>33 236 142</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

17 RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	2017 R	2016 R
Rates	19 340 210	16 920 720
Other Receivables	12 440 445	7 593 848
Suspense Debtors	12 440 445	7 593 848
<b>Total Receivables from Non-Exchange Transactions</b>	<b>31 780 855</b>	<b>24 614 577</b>
Less: Allowance for Doubtful Debts	(29 305 416)	(19 284 009)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>2 475 249</b>	<b>5 230 567</b>

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

Included in Suspense Debtors is outstanding traffic fines receivable which is assessed for impairment based on expected future cash flows. A provision for doubtful debts of R (2016: R7512078) was raised against the gross amount receivable.

**Ageing of Receivables from Non-Exchange Transactions:**

(Rates): Ageing

Current (0 - 30 days)	780 841	1 096 127
31 - 60 Days	347 785	434 868
61 - 90 Days	303 322	262 301
+ 90 Days	17 928 283	15 127 734
<b>Total</b>	<b>19 340 210</b>	<b>16 920 728</b>

**Reconciliation of Provision for Bad Debts**

Balance at beginning of year	19 284 009	16 076 800
Contribution to provision	11 597 285	5 427 757
Bad Debts Written Off	(1 575 846)	(2 220 548)
<b>Balance at end of year</b>	<b>29 305 416</b>	<b>19 284 009</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of non-trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

18 OPERATING LEASE ARRANGEMENTS

**The Municipality as Lessor (Asset)**

Balance on 1 July	43 765	23 022
Movement during the year	2 169	20 743
<b>Balance on 30 June</b>	<b>45 934</b>	<b>43 765</b>

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	359 532	381 885
1 to 5 Years	254 880	332 889
More than 5 Years	25 342	49 011
<b>Total Operating Lease Arrangements</b>	<b>639 754</b>	<b>763 785</b>

This lease income was determined from contracts that have a specific conditional income. The leases are in respect of land and buildings being leased out for periods ranging until December 2023.

The municipality does not engage in any sub-lease arrangements. The municipality did not pay any contingent rent during the year.

19 CASH AND CASH EQUIVALENTS

Assets

Call Investments Deposits	31 420	1 784 380
Bank Accounts	241 456	483 776
Cash Floats	4 500	4 300
<b>Total Cash and Cash Equivalents - Assets</b>	<b>277 375</b>	<b>2 272 457</b>

Cash and cash equivalents comprise of cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality has the following bank accounts:

Current Accounts Bank statements

Standard Bank Current account - Account number 420543546	1 112 416	212 009
Standard Bank Current account - Account number 420543554	10 801	19 515
Standard Bank Current account - Account number 420543562	64 481	64 809
	<b>1 187 698</b>	<b>296 333</b>

Call Investments statements

Standard Bank Call Deposit - Account number 288798548	31 420	1 752 267
ABSA Bank Call Account - Account number 9117177082		32 093
	<b>31 420</b>	<b>2 377 846</b>

Current Accounts

Cash book balance at beginning of year	483 776	578 106
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Cash book balance at end of year	241 455	483 770
Bank statement balance at beginning of year	296 733	510 636
Bank statement balance at end of year	1 187 098	296 733

	2017 R	2016 R
<b>20 NON CURRENT INVESTMENTS</b>		
Fixed Deposits	17 755	16 530
<b>Total Non- Current Investments</b>	<b>17 755</b>	<b>16 530</b>
<b>21 PROPERTY TAXES</b>		
<u>Actual</u>		
Rateable Land and Buildings	18 671 566	17 267 778
Rateable Land and Buildings	18 671 566	17 267 778
Less: Rebates	3 771 730	3 280 377
<b>Total Assessment Rates</b>	<b>14 899 827</b>	<b>13 987 401</b>
<u>Valuations - 1 JULY 2014 (Plus Interim Valuations)</u>		
Rateable Land and Buildings		
Residential Properties - Sec 8(2)(a)	519 676 000	521 362 000
Industrial Properties - Sec 8(2)(b)	28 463 000	28 463 000
Business and Commercial Properties-Sec 8(2)(c)	100 361 000	100 361 000
Farm Agricultural Purposes - Sec 8(2)(d)(i)	1 568 079 000	1 558 368 000
Church	36 373 000	36 373 000
Nature Reserve	64 430 000	64 430 000
General	50 209 000	50 209 000
State Owned - Sec 8(2)(g)	43 527 000	43 527 000
Municipal Owned-Sec 8(2)(h)	61 613 000	61 613 000
<b>Total Assessment Rates</b>	<b>2 474 031 000</b>	<b>2 454 726 000</b>
Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2013.		
<b>Rates:</b>		
Residential	1.2128c/R	1.123c/R
Business	2.2120c/R	2.0490c/R
Commercial	2.4256c/R	2.246c/R
Agricultural	0.3034c/R	0.2809c/R
Rates are levied annually and monthly. Monthly rates are payable by the 15 th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.		
Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.		
<b>22 GOVERNMENT GRANTS AND SUBSIDIES</b>		
<b>Unconditional Grants</b>	<b>22 940 000</b>	<b>22 391 000</b>
Equitable Share	22 940 000	22 391 000
<b>Conditional Grants</b>	<b>49 201 790</b>	<b>53 781 079</b>
Grants and donations	49 201 790	53 781 079
<b>Total Government Grants and Subsidies</b>	<b>72 141 790</b>	<b>86 172 079</b>
Government Grants and Subsidies - Capital	24 804 086	35 895 138
Government Grants and Subsidies - Operating	43 231 263	45 287 365
Other Taxation Revenue	4 106 520	5 217 760
	<b>72 141 790</b>	<b>86 400 254</b>
Revenue recognised per vote as required by Section 123 (c) of the MFMA		
Equitable share	22 940 000	22 391 000
Community Services	-	-
Corporate Services	-	15 086 332
Executive Council	-	4 712 793
Financial Services	49 201 790	12 060 533
Technical Services	-	30 211 625
	<b>72 141 790</b>	<b>88 400 254</b>
The municipality does not expect any significant changes to the level of grants.		
<b>22,1 Equitable share</b>		
Opening balance	-	-
Grants received	22 940 000	22 391 000
Conditions met - Operating	(22 940 000)	(22 391 000)
Conditions still to be met	-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
<b>22,2 Expanded Public Works Program (EPWP)</b>		
Opening balance	2 612	(340 040)
Circular 79 -self funding	(3 000)	340 040
Grants received	1 000 000	1 000 000
Conditions met - Operating	(999 812)	(997 388)
Conditions met - Capital	-	-
Conditions still to be met	-	2 612
Job creation projects in previous disadvantage areas		
<b>22,3 Local Government Financial Management Grant (FMG)</b>		
Opening balance	-	(18 812)
Circular 79 -self funding	-	18 812
Grants received	1 810 000	1 675 000
Conditions met - Operating	(1 812 143)	(1 675 000)
Conditions met - Capital	(197 857)	-
Conditions still to be met	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

#### 22,4 Municipal Systems Improvement Grant

Opening balance	30 288	(306 372)
Circular 79 -self funding		306 372
Grants received		930 000
Conditions met - Operating	(1 388)	(320 930)
Conditions met - Capital	(25 351)	(467 138)
VAT	(3 549)	(81 644)
Conditions still to be met	(0)	30 288

The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

#### 22,5 Municipal Infrastructure Grant (MIG)

Opening balance	1 387 513	(251 678)
Circular 79 -self funding	(110 000)	251 678
Grants received	9 803 000	14 082 000
Conditions met - Operating	(460 150)	(461 075)
Conditions met - Capital	(9 252 795)	(10 758 840)
VAT	(1 337 588)	(1 446 572)
Grant expenditure to be recovered	-	1 387 513

The grant was used to upgrade infrastructure in previously disadvantaged areas.

#### 22,6 Housing Grants

Opening balance	-	2 087
Grants received	12 300 068	15 571 557
Conditions met - Operating	(12 300 068)	(15 573 643)
Conditions met - Capital	-	
Grant expenditure to be recovered	-	

Housing grants was utilised for the development of erven and the erection of top structures.

<b>22,7</b>	<b>Other Grants</b>		
	Opening balance	10 201 710	0 478 387
	Circular 79 -self funding	(489 000)	(643 990)
	Grants received	23 320 200	33 536 343
	Conditions met - Operating	(4 887 022)	(3 838 330)
	Conditions met - Capital	(15 328 084)	(24 641 160)
	VAT	(2 704 403)	(3 080 534)
	Conditions still to be met	10 071 597	10 201 710
<b>22,8</b>	<b>Total Grants</b>		
	Opening balance	11 622 121	8 563 371
	Grants received	71 173 287	89 165 000
	Circular 79 -self funding	(862 000)	279 103
	Conditions met - Operating	(43 231 283)	(45 287 365)
	Conditions met - Capital	(24 804 688)	(35 896 130)
	VAT	(4 105 520)	(5 217 750)
	Conditions still to be met(Grant expenditure to be recovered)	10 071 597	11 622 121
	<u>Disclosed as follows:</u>		
	Unspent Conditional Government Grants and Receipts	10 071 597	11 622 121
		10 071 597	11 622 121
<b>23</b>	<b>SERVICE CHARGES</b>		
	Electricity	41 053 383	40 056 256
	Water	12 002 712	11 842 571
	Refuse removal	5 353 336	4 627 734
	Sewerage and Sanitation Charges	5 831 921	5 739 468
	<b>Total Service Charges</b>	<b>65 141 332</b>	<b>62 468 029</b>
<b>24</b>	<b>OTHER INCOME</b>		
	Building Plans	135 365	180 247
	Creditors written off	18 949	
	Development Contribution	95 000	14 006
	Clearance certificates	44 165	40 705
	Circuit breaker charges	5 109	6 087
	Valuation/rezoning fees	23 062	9 100
	Subdivision/rezoning fees	14 407	13 637
	Swimmingpool fees		18 206
	Other	849 289	536 808
	<b>Total Other Income</b>	<b>1 186 346</b>	<b>827 927</b>

Sundry income represents sundry income such as building plans, sale of sundry items and fees for items not included under service charges (camping, fire brigade and impounding fees)

**EMPLOYEE RELATED COSTS**

Salaries and Wages	33 913 820	35 247 541
Contributions for UIF, pensions and medical aids	5 380 677	5 273 982
Travel, motor car, accommodation, subsistence and other allowances	3 631 052	3 128 893
Group Insurance	36 105	32 334
Housing benefits and allowances	377 602	332 585
Overtime Payments	1 388 773	1 288 834
Long Service Awards	138 845	140 978
Post Retirement Medical	462 588	409 793
Standby	1 064 757	988 959
Bonus	1 833 323	1 722 529
Cellphone allowance	71 460	100 820
Other	-	-
Staff Leave	(817 500)	932 673
<b>Total Employee Related Costs</b>	<b>47 709 701</b>	<b>49 688 222</b>

**KEY MANAGEMENT PERSONNEL**

Municipal Manager is appointed on a 5-year and all other Directors on a 7-year fixed contract. There are no post-employment or termination benefits payable to them at the end of the contract period.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL****Remuneration of the Municipal Manager**

Annual Remuneration	471 429	1 612 828
Performance Bonus	-	102 226
Car Allowance	31 017	203 675
Contributions to UIF, Medical, Pension Funds and Bargaining Council	9 063	61 759
Leave	91 388	-
Cell phone allowance	9 420	-
Travelling reimbursement	-	16 487
<b>Total</b>	<b>612 318</b>	<b>1 996 977</b>

**Remuneration of the Chief Financial Officer**

Annual Remuneration	474 846	1 469 904
Car Allowance	40 000	158 085
Performance Bonus	-	95 967
Contributions to UIF, Medical, Pension Funds and Bargaining Council	14 308	41 248
Cell phone allowance	9 780	-
Leave	197 245	-
Travelling reimbursement	-	8 486
<b>Total</b>	<b>736 181</b>	<b>1 764 670</b>

**Remuneration of the Head of Corporate Services**

Annual Remuneration	900 182	934 513
Car Allowance	133 086	145 807
Performance Bonus	-	71 922
Contributions to UIF, Medical, Pension Funds and Bargaining Council	108 524	205 519
Housing	8 904	-
Leave paid	-	120 078
Bonus	70 787	-
Travelling reimbursement	-	8 982
<b>Total</b>	<b>1 309 443</b>	<b>1 485 761</b>

<b>26 REMUNERATION OF COUNCILLORS</b>			
	Executive Mayor allowance	697 125	448 531
	Deputy Executive Mayor allowance	353 658	551 812
	Speaker allowance	571 900	430 781
	Councillors allowances	900 422	786 888
	Councillors other allowances	0	653 258
	<b>Total Councillors' Remuneration</b>	<b>2 613 106</b>	<b>2 884 270</b>
<b>In-kind Benefits</b>			
The Executive Mayor and all the committee members are full-time councillors. The Mayor, Deputy Mayor and Speaker are provided with secretarial support and an office at the cost of the Council.			
<b>27 DEBT IMPAIRMENT</b>			
	Trade Receivables from non- exchange transactions	11 597 255	5 427 757
	Trade Receivables from exchange transactions	18 902 922	12 796 508
		<b>30 500 177</b>	<b>18 224 265</b>
<b>28 DEPRECIATION AND AMORTISATION</b>			
	Property Plant and Equipment	11 548 181	11 018 580
	Investment Property	50 207	50 204
	Intangible Assets	28 200	75 031
	Landfill Sites	781 512	781 513
		<b>12 408 079</b>	<b>11 925 328</b>
<b>29 IMPAIRMENTS and WRITE OFFS</b>			
	Property Plant & Equipment	241 548	-
	Investment Properties	-	17 317
	Intangible assets	-	13 751
		<b>241 548</b>	<b>31 068</b>
<b>30 FINANCE CHARGES</b>			
	Other	1 097 720	2 712 125
	Long-term Liabilities	393 193	1 068 002
	Post Employment Health	1 024 868	838 405
	Landfill Sites	1 440 853	1 101 545
	Long service awards	120 431	114 340
	<b>Total finance charges</b>	<b>4 076 925</b>	<b>5 834 423</b>
<b>31 BULK PURCHASES</b>			
	Electricity	28 188 725	25 239 908
	Water	308 780	181 845
	<b>Total Bulk Purchases</b>	<b>28 557 505</b>	<b>25 421 754</b>
<b>32 CONTRACTED SERVICES</b>			
	Services Providers	19 011 713	19 635 402
	<b>Total</b>	<b>19 011 713</b>	<b>19 635 402</b>

	2017 R	2016 R
<b>33 GENERAL EXPENSES</b>		
Advertising	159 160	67 180
Audit fees	1 630 237	687 610
Bank charges	470 744	730 951
Chemicals	173 784	333 787
Cleaning	73 437	67 861
Commission paid	648 970	214 267
Community development and training	23 100	(2 150)
Computer expenses	75 708	110 417
Consulting and professional fees	2 007 493	4 925 376
Consumables	-	62 371
Donations	-	455 447
Electricity	2 638 428	3 855 019
Entertainment	58 051	65 514
Fines	-	23 288
Fuel and oil	869 305	858 421
Hire	705 353	61 118
Insurance	153 673	61 920
Legal fees	1 173 370	251 076
Materials	12 365	-
Magazines, books and periodicals	6 780	6 480
Medical expenses	650	-
Postage and courier	525 847	271 283
Printing and stationery	344 124	477 932
Promotions and sponsorships	35 068	647 521
Recruitment cost	9 656	11 386
Refuse	182 048	313 465
Special projects	102 368	403 019
Royalties and license fees	35 645	70 192
Security (Guarding of municipal property)	-	98 666
Sewerage and waste disposal	-	22 136
Software expenses	176 347	958 235
Staff welfare	-	36 306
Shopsteward Knysna Municipality	5 568	-
Subscriptions and membership fees	671 235	50 121
Sundry expenses	1 803 097	1 501 547
Telephone and fax	886 888	996 262
Title deed search fees	-	37 097
Tourism development	552 000	762 755
Training	193 506	68 463
Transport and freights	-	5 114
Travel-local	941 262	1 073 132
Uniforms	890	20 767
Water	-	78 058
<b>General Expenses</b>	<b>17 946 460</b>	<b>21 164 779</b>

### 34 CORRECTION OF ERRORS IN TERMS OF GRAP 3 AND RE-CLASSIFICATIONS

#### Prior year adjustments due to non-compliance with accounting policy and errors

- 34.1** (i) The Landfill site capital was previously disclosed as part of Property Plant and Equipment. Due to its uniqueness and difference in nature from the other assets, it is now decided to reclassify the Landfill site in terms of GRAP 1: (44) and (49) as Capital Restoration cost.
- (ii) The latest Specialist Engineers Report to calculate for the Landfill closure provision, reveals that a mistake was made with the change in estimates as disclosed the previous year. The change in estimate was R6 466 426 instead of R3 705 891 with the result that the provision was understated with an amount of R5 700 537. This error is now corrected with the following entries: (Dt) Capitalized Restoration cost (Ct) Non-Current Provision R5,700 537. Furthermore the Landfill asset was also incorrectly disclosed as R19 808 592 (cost) and Accumulated Depreciation of R6 797 903, where it must be for R11 859 280 (cost) and Accumulated Depreciation R7 279 706. This error is now also corrected with the following entries: (Ct) Capitalized Restoration Cost R7 749 313 (Ct) Accumulated Depreciation R481 803 (Dt) Accumulated Surplus -prior years R8 459 433 (Ct) Accumulated Surplus -current year (depreciation) R228 317
- (iii) Due to the previous year audit finding on Government Grants, a comprehensive reconciliation of all the grant expenditure and revenue for 2015/16 year was done. With the reconciliation process numerous errors were found of which the detail is reflected on Appendix D. The errors are now corrected with the following entries: (Dt) Unspent Government Grants R5 614 662.32 (Ct) Accumulated Surplus -prior years R2 286 436.25 (Ct) Accumulated Surplus -current year (Grant revenue- R 3 328 226.07)
- (iv) The complete asset register was comprehensively reviewed due to the previous year audit finding with the result that numerous errors were found and now corrected with the following entries: (Dt) Accumulated Depreciation Property Plant and Equipment R5 682 508.15 (Ct) Accumulated Surplus -prior years R5 682 508.15 (Dt) Accumulated Surplus -current year (depreciation) R267 858 (Ct) Accumulated Depreciation Property Plant and Equipment R267 858. First time recognition of Property Plant and Equipment - (other assets) (Dt) Property Plant and Equipment R 20 656.96 (Ct) Accumulated Surplus -prior years, with R20 656.96. Corrections of derecognition of assets (Dt) Accumulated Surplus -current year (loss) R2 366 565.63 and (Ct) Property Plant and Equipment -cost R 2 366 565.63. (Dt) Property Plant and Equipment -cost R304 319.04 (Ct) Accumulated surplus -current year (repairs and maintenance) R304 319.04
- (v) The intangible assets register was comprehensively reviewed and errors were found in the previous reporting periods. These errors are now corrected with the following entries: (Dt) Intangible assets -cost R0 940.00 (Ct) Accumulated Surplus -current year (repairs and maintenance) R0 940.00 addition, (Ct) Intangible assets -cost R 40 000 (Dt) Accumulated Amortisation R20 248.53 (Dt) Accumulated Surplus -current year (Write offs) R13 751.47 (Dt) Accumulated Amortisation R79 133.40 (Ct) Accumulated Surplus -prior years R79 133.4 as a correction of amortisation prior years. (Dt) Accumulated Surplus current year (amortisation) R 30 119.13 (Ct) Accumulated amortisation R 30 119.13
- (vi) The investment properties register was also comprehensively reviewed and it was found that the depreciation was erroneously calculated over time. This error is now corrected with the following: (Ct) Accumulated Depreciation R114 130.50 (Dt) Accumulated surplus-prior years R114130.50 (Ct) Accumulated Depreciation R14 437.23 (Dt) Accumulated Surplus -current year -(depreciation) R14 437.23
- (vii) With the comprehensive review of the 2015/16 asset registers, it was found that amounts paid as repairs and maintenance were for assets. The amount is R687 532.91, representing assets that are in process of completion and R384 538.19 electricity. This error is now corrected with the following entries: (Dt) Property Plant and Equipment and R1 072 071.10 (Ct) Accumulated Surplus -current year (Repairs and Maintenance) with R687 532.91 (Ct) Payables from Exchange transactions- retentions R384 538.19
- (viii) With the comprehensive review of the 2015/16 creditors, numerous errors were found which is now corrected with the following entries: (Dt) Payables from exchange transactions R10 899 490.27 (Ct) Accumulated Surplus -prior years R4 823 708.66 (Ct) VAT R3 155.88 (Ct) Accumulated Surplus-current year- (General Expenditure R3 527 786.06, Bulk Purchases R2 744 786.60)
- (ix) With the comprehensive review of the 2015/16 creditors, numerous errors were found which is now corrected with the following entries: (Ct) Payables from exchange transactions R1 290 925.30 (Dt) VAT R40 586.60 (Dt) Accumulated Surplus-current year- (General expenditure R61 657.36, Contracted Services R885 090.00, Repairs and Maintenance R261 671.34, Bulk Purchases R1 320.00)
- (x) The amounts for electricity and water units estimated in terms of GRAP 9 at year end 2016 was correctly provided, but the journalising of it was erroneously included in the annual movements, with the result that the Receivables from exchange transactions was understated with R2 145 514.20 and electricity sales was understated with R1 418 351.63 and water sales was understated with R727 182.57. This error is now corrected with the following entries: (Dt) Receivables from exchange transactions R2 145 514.20 (Ct) Accumulated surplus -current year (service charges) R2 145 514.20
- (xi) The bank reconciliation for the 2015/16 year was re-calculated and errors were found in the this process of reconciliation with the result that Cash and Cash Equivalents were overstated as at 30 June 2015 as well as 30 June 2016. These errors are now corrected with the following entries: (Dt)

Accumulated Surplus -prior years R1 002 026.31 (C) Cash and Cash Equivalents R1 002 026.31 (C) Accumulated Surplus -current year R192 685.31 (Other Income) , (D) Cash and Cash Equivalents R192 565.31 (D) Payables from Exchange transactions R239 224 and (C) Cash and Cash Equivalents R 239 224

- (xii) Electricity pre paid units sold in advance as per Accounting Policy paragraph 1.30.1, was not provided for during 2015/16 year. This error is now corrected with the following entries : (D) Accumulated Surplus -current year (Service Charges) R155 997.49 (C) Payables from Exchange transactions with R155 997.49
- (xiii) During the current year, corrections in debtors accounts were made for transactions applicable in the 2015/16 financial year. These corrections are now related with the following entries : (D) Accumulated Surplus -current year (Service Charges R23 840.78, Property rates R10 651.35) (C) Receivables from Exchange transactions R 23 840.78 (C) Receivables from non Exchange transactions R10 651.35
- (xix) The recognition in the previous year of the lease liability was incorrect. The applicable lease contract is on a month to month basis with no agreed lease period. This error is now corrected with the following entries : (D) Accumulated Surplus -current year R11 050
- (xx) The municipality is a lessor of several premises which are leased with escalating rental premiums. These rentals straight lining were not previously recognised as operating lease assets. These error is now rectified retrospectively with the following entries : (C) Accumulated Surplus -prior years with R23 022.14 (C) Accumulated Surplus -current year Rental of Facilities and Equipment R20 743.07 (D) Operating Lease Assets R43 765.22

The above note 35.1 representing the narratives of the following Corrections of Errors as set out from notes 35.2 to 35.15

34,2	Accumulated Surplus	2016	2016
		R	R
	<b>Balance previously reported</b>	<b>220 856 357</b>	<b>214 635 477</b>
	Correction of error-see note 35,1(ii)	(8 231 116)	(8 456 433)
	Correction of error-see note 35,1(iii)	2 286 436	2 286 436
	Correction of error-see note 35,1(iii)	3 328 226	
	Correction of error-see note 35,1(iv)	5 852 508	5 862 508
	Correction of error-see note 35,1(v)	(287 250)	
	Correction of error-see note 35,1(v)	20 657	20 657
	Correction of error-see note 35,1(v)	(2 396 506)	
	Correction of error-see note 35,1(v)	304 319	
	Correction of error-see note 35,1(v)	8 940	
	Correction of error-see note 35,1(v)	(13 751)	
	Correction of error-see note 35,1(v)	79 133	79 133
	Correction of error-see note 35,1(v)	(30 119)	
	Correction of error-see note 35,1(v)	(114 131)	(114 131)
	Correction of error-see note 35,1(v)	(14 437)	
	Correction of error-see note 35,1(v)	687 533	
	Correction of error-see note 35,1(v)	10 806 244	4 023 709
	Correction of error-see note 35,1(x)	(1 240 340)	
	Correction of error-see note 35,1(x)	2 145 514	
	Correction of error-see note 35,1(x)	(1 002 026)	(1 002 026)
	Correction of error-see note 35,1(x)	192 565	
	Correction of error-see note 35,1(x)	(155 997)	
	Correction of error-see note 35,1(x)	(34 262)	
	Correction of error-see note 35,1(x)	11 050	
	Correction of error-see note 35,1(x)	23 022	23 022
	Correction of error-see note 35,1(x)	20 743	
	<b>Restated balance 30 June 2016</b>	<b>233 224 193</b>	<b>217 975 353</b>
34,3	PAYABLES FROM EXCHANGE TRANSACTIONS	R	R
	<b>Balance previously reported</b>	<b>61 856 089</b>	<b>46 850 029</b>
	Correction of error-see note 35,1(vii)	384 538	
	Correction of error-see note 35,1(vii)	(4 628 865)	(4 628 865)
	Correction of error-see note 35,1(vii)	(8 272 536)	
	Correction of error-see note 35,1(vii)	1 280 925	
	Correction of error-see note 35,1(vii)	(239 224)	
	Correction of error-see note 35,1(vii)	155 997	
	<b>Restated balance 30 June 2016</b>	<b>52 588 928</b>	<b>42 223 164</b>
34,4	UNSPENT GOVERNMENT GRANTS	R	R
	<b>Balance previously reported</b>	<b>17 236 783</b>	<b>10 849 808</b>
	Correction of error-see note 35,1(iii)	(2 286 436)	(2 286 436)
	Correction of error-see note 35,1(iii)	(3 328 226)	
	<b>Restated balance 30 June 2016</b>	<b>11 622 121</b>	<b>8 563 373</b>
34,5	VAT	R	R
	<b>Balance previously reported</b>	<b>11 073 340</b>	<b>6 783 415</b>
	Correction of error-see note 35,1(viii)	(3 156)	(3 156)
	Correction of error-see note 35,1(viii)	40 587	
	<b>Restated balance 30 June 2016</b>	<b>11 110 771</b>	<b>6 780 259</b>
34,6	Intangible Assets	R	R
	<b>Balance previously reported</b>	<b>88 503</b>	<b>131 417</b>
	Correction of error-see note 35,1(v)	6 940	
	Correction of error-see note 35,1(v)	(40 000)	
	Correction of error-see note 35,1(v)	26 249	
	Correction of error-see note 35,1(v)	79 133	79 133
	Correction of error-see note 35,1(v)	(30 119)	
	<b>Restated balance 30 June 2016</b>	<b>128 706</b>	<b>210 580</b>
34,7	Non Current Provisions - Landfill sites	R	R
	<b>Balance previously reported</b>	<b>16 717 863</b>	<b>24 082 746</b>
	Correction of error-see note 35,1(iii)	5 700 537	
	<b>Restated balance 30 June 2016</b>	<b>21 418 400</b>	<b>24 082 746</b>
34,8	Property Plant and Equipment	R	R

	Balance previously reported	303 767 639	284 924 760
	Reclassification see note 36,1(i)	(7 110 152)	(17 586 409)
	Correction of error-see note 35,1(iv)	5 862 508	5 862 508
	Correction of error-see note 35,1(iv)	(287 250)	
	Correction of error-see note 35,1(iv)	20 657	20 657
	Correction of error-see note 35,1(iv)	(2 306 506)	
	Correction of error-see note 35,1(iv)	304 310	
	Correction of error-see note 35,1(vii)	1 072 071	
	Restated balance 30 June 2016	301 243 197	273 241 546
		R	R
34,9	Capitalized Restoration Cost		
	Balance previously reported	-	-
	Reclassification see note 30,1(i)	7 110 152	17 586 409
	Correction of error-see note 35,1(ii)-cost	5 700 537	
	Correction of error-see note 35,1(ii)-cost	(7 749 313)	(7 749 313)
	Correction of error-see note 35,1(ii)-accumulated depreciation	(481 803)	(710 120)
	Restated balance 30 June 2016	4 579 573	9 128 976
		R	R
34,10	Investment Property		
	Balance previously reported	1 844 024	1 687 108
	Correction of error-see note 35,1(vi)	(114 131)	(114 131)
	Correction of error-see note 35,1(vi)	(14 437)	
	Restated balance 30 June 2016	1 715 456	1 782 979
34,11	Receivables from exchange transactions		
	Balance previously reported	13 163 479	18 256 190
	Correction of error-see note 35,1(x)	2 145 514	
	Correction of error-see note 35,1(xii)	(23 641)	
	Restated balance 30 June 2016	15 385 352	18 256 190
34,12	Cash and cash equivalents		
	Balance previously reported	3 321 141	3 748 561
	Correction of error-see note 35,1(xd)	(1 002 026)	(1 002 026)
	Correction of error-see note 35,1(xd)	192 585	
	Correction of error-see note 35,1(xd)	(230 224)	
	Restated balance 30 June 2016	2 272 456	2 744 475
34,13	Receivables from non exchange transactions		
	Balance previously reported	5 241 219	6 489 539
	Correction of error-see note 35,1(xii)	(10 651)	
	Restated balance 30 June 2016	5 230 568	6 489 539
34,14	Operating Lease Liability		
	Balance previously reported	11 050	
	Correction of error-see note 35,1(xix)	(11 050)	
	Restated balance 30 June 2016	-	-
34,15	Operating Lease Asset		
	Balance previously reported	-	-
	Correction of error-see note 35,1(xx)	23 022	23 022
	Correction of error-see note 35,1(xx)	20 743	
	Restated balance 30 June 2016	43 765	23 022
34,16	Re- classifications in Statement of Performance		
	Previously reported	50 740 973	
	Employee related cost	4 881 672	
	Finance charges	251 933	
	Actuarial gains	621 365	
	Other income	121 650	
	Lease Rentals on Operating Lease	20 963 229	
	General Expenses	5 364 327	
	Fines	82 955 039	
	Now reported	49 668 222	
	Employee related cost	6 934 423	
	Finance charges	178 716	
	Actuarial gains	636 361	
	Other income		
	Lease Rentals on Operating Lease	21 164 779	
	General Expenses	5 413 537	
	Fines	82 955 039	
34,17	Statement of Performance		
	Balance previously reported	R	R
	Correction of error-see note 35,1(i)	6 223 880	
		228 317	

Correction of error-see note 35,1(iii)	3 328 226
Correction of error-see note 35,1(iv)	(287 250)
Correction of error-see note 35,1(v)	(2 306 590)
Correction of error-see note 35,1(vi)	304 319
Correction of error-see note 35,1(vi)	8 940
Correction of error-see note 35,1(v)	(13 751)
Correction of error-see note 35,1(v)	(30 119)
Correction of error-see note 35,1(vi)	(14 437)
Correction of error-see note 35,1(vi)	687 553
Correction of error-see note 35,1(viii)	8 272 536
Correction of error-see note 35,1(ix)	(1 240 330)
Correction of error-see note 35,1(x)	2 145 514
Correction of error-see note 35,1(x)	192 585
Correction of error-see note 35,1(x)	(155 067)
Correction of error-see note 35,1(xii)	(34 262)
Correction of error-see note 35,1(xiv)	11 050
Correction of error-see note 35,1(xv)	20 743

**9 024 981**

Effect on Rentals of facilities	20 743
Effect on Lease Rentals on Operating Lease	11 050
Effect on Property Taxes	(10 651)
Effect on Other Income	192 585
Effect on Service charges	1 685 378
Effect on Repairs and Maintenance	738 821
Effect on Bulk Purchases	2 743 450
Effect on Contracted Services	(885 060)
Effect on Impairments /write offs	(13 751)
Effect on Government Grants and Subsidies-capital expenditure	827 400
Effect on Government Grants and Subsidies-operating expenditure	2 500 828
Effect on loss on disposal of assets	(2 306 590)
Effect on Depreciation and Amortisation	(103 489)
Effect on General Expenditure	3 435 806

**Total**

**15 248 842**

	<b>2017</b>	<b>2016</b>
	<b>R</b>	<b>R</b>
<b>35 RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
Surplus/(Deficit) for the year	10 318 473	15 248 842
<u>Adjustments for:</u>		
Depreciation	12 378 880	11 850 298
Amortisation of Intangible Assets	28 200	75 031
Loss on disposal of Property, Plant and Equipment	(200 824)	2 935 785
Gain on disposal of Property, Plant and Equipment	-	(965 069)
Debt Impairment	30 500 177	18 224 285
Impairments /write offs	241 548	31 068
Contributed Assets	(1 534 400)	-
Stock adjustments	(315 031)	-
Contribution to current employee benefits	(788 028)	317 817
Contribution from/to employee benefits	1 281 551	731 818
Contribution to Landfill site	1 383 223	(2 664 340)
Actuarial Gains/Losses	(1 182 508)	-
Grants repaid	(582 000)	-
Grants Received	71 173 287	80 185 000
Grant Expenditure	(72 141 790)	(88 400 254)
Operating lease income accrued	(2 199)	43 765
Operating Surplus/(Deficit) before changes in working capital	50 576 878	48 614 018
Changes in working capital	(28 281 714)	(12 721 599)
Increase/(Decrease) in Payables for Exchange Transactions	(7 538 533)	5 427 037
Increase/(Decrease) in Taxes	(4 328 700)	(4 327 355)
(Increase)/Decrease in Inventory	118 322	213 174
(Increase)/Decrease in Trade and other receivables	(16 633 712)	(14 034 457)
<b>Cash generated/(absorbed) by operations</b>	<b>22 295 164</b>	<b>35 882 418</b>

### 36 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Call Investments Deposits - Note 19	31 420	1 784 380
Cash Floats - Note 19	4 500	4 300
Bank - Note 19	241 456	453 776
<b>Total cash and cash equivalents</b>	<b>277 376</b>	<b>2 272 457</b>

### 37 RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

Cash and Cash Equivalents - Note 36	277 375	2 272 457
	277 375	2 272 457
Less:	5 367 963	(511 351)
Unspent Committed Conditional Grants - Note 9	(10 071 597)	(11 622 121)
VAT - Note 10	(5 439 580)	11 110 770
<b>Resources available for other and working capital requirements</b>	<b>5 845 338</b>	<b>1 781 106</b>

38 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term Liabilities - Note 2	2 905 401	4 352 524
Used to finance property, plant and equipment - at cost	(2 905 401)	(4 352 524)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

39 BUDGET COMPARISONS

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 (%)
<b>39.1 Operational</b>				
<b>Revenue by source</b>				
Property taxes	14 896 827	14 773 900	125 927	1%
Other Taxation Revenue	4 105 520	-	4 105 520	100%
Government Grants and Subsidies - Capital	24 804 988	26 231 000	(1 426 014)	-5%
Government Grants and Subsidies -Operational expenditure	43 231 283	44 224 724	(893 441)	-2%
Public Contributions and Donations	5 000	-	5 000	100%
Fines	8 107 382	5 453 000	849 382	12%
Actuarial Gains	1 162 508	-	1 162 508	100%
Service Charges	85 141 332	88 702 247	(3 560 915)	-5%
Rental of Facilities and Equipment	484 266	265 000	219 266	83%
Interest Earned - external investments	845 033	890 000	(44 967)	-5%
Interest Earned - outstanding debtors	5 422 945	3 570 200	1 852 745	52%
Licences and Permits	280 071	210 000	70 071	33%
Dividends Received	2 954	2 500	454	18%
Agency Services	776 674	705 000	71 674	11%
Stock Adjustments	315 031	-	315 031	100%
Contributed Assets	1 534 480	-	1 534 480	100%
Other Income	1 188 348	297 180	891 168	299%
Gain on disposal of Property, Plant and Equipment	200 824	201 000	(176)	0%
	<b>170 508 422</b>	<b>165 330 731</b>	<b>5 178 691</b>	<b>3,132%</b>
<b>Expenditure by nature</b>				
Employee Related Costs	47 709 701	48 947 080	(782 621)	-2%
Remuneration of Councilors	2 613 106	2 845 870	(232 764)	-8%
Debt Impairment	30 500 177	15 565 880	14 934 297	-98%
Depreciation and Amortisation	12 408 080	10 455 710	1 952 370	-16%
Impairment/write offs	241 548	18 000	223 548	-1242%
Repairs and Maintenance	2 127 735	2 151 880	(24 145)	1%
Actuarial losses	-	-	-	0%
Finance Charges	4 076 925	1 047 130	3 029 795	-299%
Bulk Purchases	28 557 505	30 719 810	(4 162 305)	-14%
Grants and Subsidies	-	-	-	0%
Contracted Services	18 011 713	17 348 201	(1 334 488)	8%
Operating Grant Expenditure	-	-	-	0%
General Expenses	17 945 480	11 890 342	6 055 138	-51%
Loss on disposal of Property, Plant and Equipment	-	-	-	0%
	<b>160 192 849</b>	<b>138 887 883</b>	<b>21 305 066</b>	<b>-16%</b>
<b>Net Surplus for the year</b>	<b>10 316 473</b>	<b>26 442 848</b>	<b>(16 026 375)</b>	<b>-61%</b>

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 (%)
<b>39,2 Expenditure by Vote</b>				
COMMUNITY SERVICES	744 076	569 788	180 288	32%
CORPORATE SERVICES	35 519 030	36 791 503	(1 272 473)	-3%
EXECUTIVE COUNCIL	20 268 049	13 430 406	6 897 641	51%
FINANCIAL SERVICES	28 029 982	16 210 742	9 813 240	61%
TECHNICAL SERVICES	77 601 811	71 985 442	5 616 369	8%
	<u>160 192 949</u>	<u>136 987 883</u>	<u>21 205 066</u>	<u>16%</u>

	2017 R (Actual)	2017 R (Budget)	2017 R (Variance)	2017 (%)
<b>39,3 Capital expenditure by vote</b>				
COMMUNITY SERVICES	71 188	50 000	21 188	42%
CORPORATE SERVICES	48 000	60 000	(12 000)	-20%
EXECUTIVE COUNCIL	76 036	369 235	(286 299)	-70%
FINANCIAL SERVICES	22 885 717	25 072 650	(2 187 133)	-11%
TECHNICAL SERVICES	-	-	-	0%
	<u>23 081 841</u>	<u>26 146 085</u>	<u>(3 064 244)</u>	<u>-12%</u>

**40 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**

	2017 R	2016 R
<b>40,1 Unauthorised expenditure</b>		
Reconciliation of unauthorised expenditure:		
Opening balance	6 342 045	32 813 913
Unauthorised expenditure current year - capital	21 188	28 307
Unauthorised expenditure current year - operating	22 477 539	6 315 728
Condoned by council	-	(32 813 913)
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	<u>28 840 772</u>	<u>6 342 045</u>

Incident	Disciplinary steps/criminal proceedings	
Over expenditure on votes-operating (Note 39.2)	None	22 477 539
Over expenditure on votes-capital (Note 39.3)	None	21 188

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED (CONTINUE)

40,2 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	1 813 438	70 356
Fruitless and wasteful expenditure current year		1 813 438
Written off by council		(70 356)
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting further action	1 813 438	1 813 438

Incident	Disciplinary steps/criminal proceedings

40,3 Irregular expenditure

Reconciliation of irregular expenditure:

Opening balance	8 648 513	(3 597 930)
Irregular expenditure current year	58 850	20 778 846
Investigated and written off by Council		(8 532 194)
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting further action	8 703 383	8 648 513

Irregular expenditure awaiting condonement from National Treasury

Incident	Disciplinary steps/criminal proceedings
Opperman Secura-not follows SCM procedures	None
Blaauw Leadership-not followed SCM procedures	None
JMHP COOP	None
	30 850
	14 000
	3 000
	58 850

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any monies.

40,4 Material Losses

**Water distribution losses**

- Kilo litres lost during distribution	676 095	504 465
- Percentage lost during distribution	32,90%	26,09%

**Electricity distribution losses**

- Units lost during distribution (Kwh)	2 050 976	4 467 707
- Percentage lost during distribution	5,06%	13,23%

2017  
R

2016  
R

41 **ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

41,1 Contributions to organised local government - IMFMA 125 (1)(b)) - SALGA CONTRIBUTIONS

Opening balance	1 873 406	1 423 406
Council subscriptions	552 647	500 000
Amount paid - current year	-	(50 000)
Amount paid - previous years	-	-
Balance unpaid (in dispute)	2 426 057	1 873 406

	2017 R	2016 R
<b>41.2 Audit fees - [MFMA 125 (1)(b)]</b>		
Opening balance	3 832 080	1 378 304
Current year audit fee	2 873 840	2 453 776
Amount paid - current year		
Amount paid - previous year		
<b>Balance unpaid (included in creditors)</b>	<b>6 705 920</b>	<b>3 832 080</b>

<b>41.3 VAT - [MFMA 125 (1)(b)]</b>		
VAT balance at year end - Refer to note 12	15 430 500	11 110 770
<b>Closing balance - Receivable</b>	<b>15 430 500</b>	<b>11 110 770</b>

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

<b>41.4 PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Opening balance	8 227 599	3 081 634
Current year payroll deductions and Council Contributions	7 340 554	7 240 535
Penalties		957 628
Amount paid - current year	(13 401 234)	(3 082 498)
<b>Balance unpaid (included in creditors)</b>	<b>2 166 918</b>	<b>8 227 599</b>

<b>41.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]</b>		
Opening balance	1 323 454	681 727
Current year payroll deductions and Council Contributions	7 107 806	7 490 073
Amount paid - current year	(8 431 200)	(6 828 248)
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>1 323 454</b>

**41.6 Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]**

No Councillors had arrear accounts for more than 90 days as 30 June 2017

**41.7 Deviations from Supply Chain Management Regulations**

<b>Non-compliance summary</b>	<b>&lt; R30000</b>	<b>≥R30000 &lt;R200000</b>	<b>&gt;R200000</b>	
Department:				
COMMUNITY SERVICES	24950	0	0	24 950
CORPORATE SERVICES	144616,82	74428	0	219 248
EXECUTIVE COUNCIL	12825	0	0	12 825
FINANCIAL SERVICES	20562,66	87825,8	0	108 388
TECHNICAL SERVICES	158627,98	308911,27	0	467 439
<b>Total</b>	<b>361 685</b>	<b>471 165</b>	<b>0</b>	<b>832 850</b>

**41.8 Awards above R2000 to spouses, child, parent of a person in service of the state (Section 45 of the Supply Management Policy)**

Company	Name	Relation
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-

**41.9 Other non-compliance (MFMA 125(2)(e))**

Creditors payments were not made within 30 days as required by the MFMA.

	2017 R	2016 R
<b>42 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
Approved and contracted for:	5 010 801	1 635 063
Total commitments consist out of the following:		
ZOAR Streets	210 717	1 035 063
ZOAR Streets	497 925	
Electrification	4 302 159	
	<b>5 010 801</b>	<b>1 635 063</b>
This expenditure will be financed from:		
External Loans	-	-
Government Grants	5 010 801	1 635 063
	<b>5 010 801</b>	<b>1 635 063</b>

## FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

## (a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

## (b) Price risk

The municipality is not exposed to price risk.

## (c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/deficit for the year due to changes in interest rates were as follow:

1% Increase in interest rates	(588 126)	(544 143)
0.5% Decrease in interest rates	284 062	272 072

## (d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Receivables are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles.

All rates and services are payable within 30 days from invoice date. Refer to note 16 and 17 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 16 and 17 for balances included in receivables that were re-negotiated for the period under review.

Balances past due not impaired:

	2017 %	2017 R	2016 %	2016 R
<u>Non-Exchange Receivables</u>				
Rates	4,07%	880 022	34,43%	4 053 308
Traffic Fines	11,36%	1 310 000	7,53%	505 000
<u>Exchange Receivables</u>				
Electricity	-43,12%	-918 217,00	-23,25%	(670 290)
Water	-1,48%	-284 801,01	13,90%	1 498 081
Refuse	1,00%	102 073,46	30,76%	3 727 062
Sewerage	1,33%	211 081,82	38,48%	3 592 180
Other	17,85%	202 422,42	-3,06%	(27 731)
	-1,14%	(606 331)	24,41%	8 113 901

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables the carrying value disclosed in note 16 and 17 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime borrowing rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

2017	2017	2016	2016
------	------	------	------

	%	R	%	R
<u>Non-Exchange Receivables</u>				
Rates	60,40%	17 699 347	61%	11 771 234
Traffic Fines	39,60%	11 606 068	39%	7 512 775
	100,00%	29 305 416	100%	19 284 009
<u>Exchange Receivables</u>				
Electricity	4,00%	2 129 508	9,75%	2 909 175
Water	33,57%	17 884 131	32,23%	10 711 086
Refuse	30,44%	16 214 224	29,21%	9 374 378
Sewerage	29,86%	15 908 892	28,09%	9 334 874
Other	2,13%	1 133 787	2,73%	908 629
	100,00%	53 270 540	100,00%	39 236 141

	2017 %	2017 R	2018 %	2018 R
<u>Non-Exchange Receivables</u>				
Rates	100,00%	1 575 849	100%	2 220 548
Traffic Fines	0,00%	-	-	-
	100,00%	1 575 849	100%	2 220 548
<u>Exchange Receivables</u>				
Electricity	5,28%	79 927	0,00%	39 567
Water	34,52%	523 026	0,00%	8 371 915
Refuse	25,14%	380 878	0,00%	4 410 825
Sewerage	27,24%	412 733	0,00%	3 780 212
Other	7,81%	118 370	0,00%	96 387
	100,00%	1 514 932	0,00%	16 697 908

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment.

Financial assets exposed to credit risk at year end are as follows:

	2017 R	2018 R
Receivables from exchange transactions	4 064 217	15 305 354
Receivables from non-exchange transactions	2 475 240	5 230 597
Cash and Cash Equivalents	277 375	2 272 457
	6 816 832	22 808 378

(e) **Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2017</b>				
Long Term liabilities - Annuity Loans	720 000	2 880 000	217 033	-
Capital repayments	384 450	2 173 977	212 707	-
Interest	325 550	706 023	5 226	-
Long Term liabilities - Finance Leases	123 147	4 454	-	-
Capital repayments	119 860	4 407	-	-
Interest	3 287	47	-	-
Provisions - Landfill Sites	10 822 078	16 282 040	8 116 953	-
Capital repayments	8 659 762	10 029 437	3 812 394	-
Interest	1 883 185	6 232 604	4 304 560	-
Trade and Other Payables	31 511 074	-	-	-
Unspent conditional government grants and receipts	10 071 597	-	-	-
	53 248 796	19 146 494	8 334 886	-
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 Years
<b>2016</b>				
Long Term liabilities - Annuity Loans	720 000	2 880 000	974 999	-
Capital repayments	580 998	1 919 769	898 431	-
Interest	139 002	960 231	76 568	-
Long Term liabilities - Finance Lease Liability	-	-	-	-
Capital repayments	829 058	124 267	-	-
Interest	55 197	3 334	-	-
Long Term Liabilities - Hire Purchases	566 175	2 284 701	-	-
Capital repayments	374 883	1 855 380	-	-
Interest	191 292	406 321	-	-
Provisions - Landfill Sites	10 816 159	16 276 971	8 127 887	-
Capital repayments	8 407 650	9 426 216	3 594 534	-
Interest	2 408 509	6 850 755	4 543 352	-
Trade and Other Payables	38 178 194	-	-	-
Unspent conditional government grants and receipts	11 622 121	-	-	-
	59 902 648	21 421 671	9 102 865	-

		2017 R	2016 R
<b>44 FINANCIAL INSTRUMENTS</b>			
In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:			
<b>44.1 Financial Assets</b>	<b>Classification</b>		
<b>Receivables</b>			
Receivables from exchange transactions	Financial instruments at amortised cost	4 094 217	15 305 354
Receivables from non-exchange transactions	Financial instruments at amortised cost	834 377	81 073
<b>Other Receivables</b>			
Government subsidies and grants	Financial instruments at amortised cost	-	-
<b>Short-term Investment Deposits</b>			
Call Deposits	Financial instruments at amortised cost	31 420	1 784 360
<b>Bank Balances and Cash</b>			
Bank Balances	Financial instruments at amortised cost	241 450	483 776
Cash Flows and Advances	Financial instruments at amortised cost	4 500	4 300
		<u>5 205 969</u>	<u>17 658 883</u>
<b>SUMMARY OF FINANCIAL ASSETS</b>			
Financial instruments at amortised cost		5 205 969	17 658 883
At amortised cost		<u>5 205 969</u>	<u>17 658 883</u>

<b>44.2 Financial Liability</b>	<b>Classification</b>		
<b>Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	2 386 684	1 882 148
Capitalised Lease Liability	Financial instruments at amortised cost	4 407	125 553
<b>Payables from exchange transactions</b>			
Trade creditors	Financial instruments at amortised cost	31 511 074	36 178 194
Accrued interest	Financial instruments at amortised cost	-	-
Retentions	Financial instruments at amortised cost	2 437 237	2 282 240
Deposits	Financial instruments at amortised cost	190 095	210 244
Other	Financial instruments at amortised cost	9 052 372	12 174 054
<b>Other Payables</b>			
Government Subsidies and Grants	Financial instruments at amortised cost	10 071 597	11 622 121
<b>Current Portion of Long-term Liabilities</b>			
Annuity Loans	Financial instruments at amortised cost	364 450	1 469 984
Capitalised Lease Liability	Financial instruments at amortised cost	119 860	864 839
		<u>58 187 776</u>	<u>66 819 377</u>
<b>SUMMARY OF FINANCIAL LIABILITY</b>			



**APPENDIX A - Unaudited**  
**KANNALAND LOCAL MUNICIPALITY**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2017**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2016	Received during the period	Interest Capitalised	Redeemed written off during the period	Balance at 30 JUNE 2017
<b>LEASE LIABILITIES</b>								
Hefcom	9,50%	31/07/2017		833 924			766 697	67 227
Nashua MPC3003 SP	9,25%	31/01/2018		50 453			31 004	19 450
Nashua MP3054SF	9,50%	31/08/2018		35 343			15 415	19 928
Minolta (*4)	11,00%	30/11/2016		24 596			24 596	0
Minolta	11,00%	30/11/2016		12 470			12 470	0
Minolta	9,50%	31/08/2018		33 604			15 942	17 663
<b>Total Lease Liabilities</b>				<b>990 391</b>	<b>0</b>	<b>0</b>	<b>866 124</b>	<b>124 268</b>
<b>ANNUITY LOAN</b>								
DBSA	12,50%	61000778	30/04/2023	3 362 132		0	580 998	2 781 133
<b>Total Annuity Loan</b>				<b>3 362 132</b>	<b>0</b>	<b>0</b>	<b>580 998</b>	<b>2 781 133</b>
<b>TOTAL EXTERNAL LOANS</b>				<b>4 352 523</b>	<b>0</b>	<b>0</b>	<b>1 447 122</b>	<b>2 905 402</b>

**APPENDIX B - Unaudited  
KANNALAND LOCAL MUNICIPALITY  
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017  
MUNICIPAL VOTES CLASSIFICATION**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2016 Budgeted Income	2017 Actual Income R	2016 Budgeted Expenditure	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
(152 341)	13 751 661	13 599 320	ADMIN SERVICES	-452 500	(21 031)	11 844 802	11 083 601	11 062 570
(23 750)	296 182	272 431	CEMETERY	-21 500	(34 990)	204 157	244 707	209 717
(17 530 811)	20 465 688	2 934 876	CFO	-6 518 560	(55 292 738)	16 190 580	18 525 600	(36 767 139)
(70 263)	610 480	540 217	COMMUNITY SERVICES	-40 000	(40 215)	563 788	744 076	703 861
(8 552 090)	29 219 695	20 667 605	COUNCIL'S GENERAL EXPENSE	-2 421 657	(3 729 101)	8 134 357	13 970 850	10 241 750
(43 196 151)	35 901 481	(7 294 670)	ELECTRICITY	-64 634 270	(46 992 752)	37 536 559	33 106 646	(13 886 107)
(14 219 095)	2 178 521	(12 040 574)	HOUSING	-13 044 624	(28 574)	13 427 945	12 639 865	12 611 291
(1 472 881)	1 428 495	(44 386)	LIBRARY	-1 906 500	(69 007)	1 873 970	1 979 802	1 910 795
(6 484 055)	7 295 121	811 066	LICENSING & TRAFFIC	-6 366 000	(7 152 618)	6 981 537	6 792 359	(360 258)
(489 509)	2 079 217	1 589 708	MUNICIPAL BUILDINGS	-420 000	(415 476)	1 729 332	2 242 797	1 827 321
45 195	7 758 454	7 803 649	MUNICIPAL MANAGER	-208 000	26 120	5 296 051	6 327 199	6 353 319
-	206 589	206 589	PARKS & RECREATION	0	-	187 620	199 219	199 219
(1 215)	-	(1 215)	POSTAL AGENCY	-5 000	(7 015)	0	-	(7 015)
(19 408 303)	(1 004 167)	(20 412 470)	PROPERTY RATES	-20 244 300	(20 457 702)	26 162	7 504 382	(12 953 319)
(1 744 153)	6 192 516	4 448 363	PUBLIC WORKS : STREETS	-10 797 000	(1 368 988)	6 978 293	6 585 047	5 216 060
(8 619 086)	7 384 813	(1 234 273)	SANITATION/REFUSE	-9 207 220	(9 223 695)	6 407 460	13 851 293	4 627 598
(24 466 357)	8 744 027	(15 722 330)	SEWERAGE	-14 148 340	(10 423 886)	8 487 700	9 265 424	(1 158 462)
(18 206)	601 646	583 440	SWIMMING POOLS	0	-	542 140	336 679	336 679
(30 752 323)	18 796 134	(11 956 189)	WATER	-14 895 260	(15 277 755)	12 575 430	14 793 402	(484 353)
(177 155 394)	161 906 552	(15 248 842)	<b>TOTAL</b>	<b>-165 330 731</b>	<b>(170 509 422)</b>	<b>138 987 883</b>	<b>160 192 949</b>	<b>(10 316 473)</b>

**APPENDIX C - Unaudited**  
**KANNALAND LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017**  
**MUNICIPAL MAIN VOTES**

2016 Actual Income R	2016 Actual Expenditure R	2016 Surplus/ (Deficit) R		2016 Budgeted Income	2017 Actual Income R	2016 Budgeted Expenditure	2017 Actual Expenditure R	2017 Surplus/ (Deficit) R
(70 263)	610 480	540 217	COMMUNITY SERVICES	(40 000)	(40 215)	563 788	744 076	703 861
(22 859 837)	27 837 432	4 977 595	CORPORATE SERVICES	(22 211 124)	(7 721 696)	36 791 503	35 519 030	27 797 335
(8 506 895)	36 978 149	28 471 254	EXECUTIVE COUNCIL	(2 629 657)	(3 702 981)	13 430 408	20 298 049	16 595 069
(36 940 329)	19 461 521	(17 478 809)	FINANCIAL SERVICES	(26 767 860)	(75 757 455)	16 216 742	26 029 982	(49 727 473)
(108 778 070)	77 018 971	(31 759 100)	TECHNICAL SERVICES	(113 682 090)	(83 287 075)	71 985 442	77 601 811	(5 685 264)
(177 155 394)	161 906 552	(15 248 842)	<b>Total</b>	<b>(165 330 731)</b>	<b>(170 509 422)</b>	<b>138 987 883</b>	<b>160 192 949</b>	<b>(10 316 473)</b>

APPENDIX D - Unaudited  
KANNALAND LOCAL MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grant Description	Balance 1 JULY 2016	Correction of error	Balance 1 JULY 2016	Circular 79	Grants Received	Grants Transfers	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	VAT	Balance 30 JUNE 2017
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>										
	R	R	R	R	R	R	R	R	R	R
<b>National Government Grants</b>										
Equitable Share	(160)	160	-	-	22 940 000	-	(22 940 000)	-	-	-
Local Government Financial Management Grant	-	-	-	-	1 810 000	-	(1 612 143)	-	(197 857)	(0)
Municipal Infrastructure Grant	1 513 201	(125 688)	1 387 513	(110 000)	9 803 000	-	(490 150)	(9 252 795)	(1 337 568)	(0)
Municipal Systems Improvement Grant	30 288	-	30 288	-	-	-	(1 388)	(25 351)	(3 549)	(0)
Zoar Streets	180 453	-	180 453	-	-	-	-	-	-	180 453
EPWP	2 612	-	2 612	(3 000)	1 000 000	-	(999 612)	-	-	0
DME Demand Management	644 334	(644 334)	-	-	-	-	-	-	-	-
National Integrated Electrical Grant	468 853	-	468 853	(469 000)	16 000 000	-	(983 775)	(11 402 671)	(1 734 102)	1 879 305
<b>Total National Government Grants</b>	<b>2 839 582</b>	<b>(769 862)</b>	<b>2 069 719</b>	<b>(582 000)</b>	<b>51 553 000</b>	<b>-</b>	<b>(27 627 068)</b>	<b>(20 680 816)</b>	<b>(3 273 077)</b>	<b>2 059 758</b>
<b>Provincial Government Grants</b>										
Land Use Planning	900	(900)	-	-	-	-	-	-	-	-
Taxi Ranks	306 463	-	306 463	-	-	-	-	-	-	306 463
Flood Damage	447 890	-	447 890	-	-	-	-	-	-	447 890
CDW Grant	38 440	-	38 440	-	113 000	-	(151 440)	-	-	(0)
IDC	1 650 000	-	1 650 000	-	-	-	-	-	-	1 650 000
Local Government Financial Support Grant	-	-	-	-	1 000 000	-	(872 894)	-	(127 106)	-
Local Government Financial Support Grant	(4 113)	4 113	(0)	-	-	-	-	-	-	(0)
IT Grant	-	-	-	-	220 000	-	(191 928)	-	(28 072)	-
Organisational Grant	-	-	-	-	400 000	-	(321 826)	-	(29 909)	48 265
Nissanville Paving	100 238	-	100 238	-	-	-	-	-	-	100 238
Calitzdorp Housing	1 383 123	(1 383 123)	0	-	12 300 068	-	(12 300 068)	-	-	0
Van Wyksdorp Pit Latrines	167 299	-	167 299	-	-	-	-	-	-	167 299
WC Financial Management Capacity Building	-	-	-	-	180 000	-	-	-	-	180 000
Upgrading Sports Facilities Calitzdorp	250 000	-	250 000	-	-	-	-	-	-	250 000
SDBIP	238 657	-	238 657	-	-	-	-	-	-	238 657
DWAF - Bulk Water Meters	59 973	-	59 973	-	-	-	(59 974)	-	-	(1)
DWAF - RBIG	3 241 924	(950 080)	2 291 834	-	2 055 293	-	(3 533 080)	(404 628)	-	319 438
DWAF - Accelerated Community Infrastructure Grant	1 765 103	(1 674 984)	90 119	-	244 907	-	(276 457)	(56 560)	-	0
IDP	175 439	-	175 439	-	-	-	-	-	-	175 439
Library Grant	484 437	-	484 437	-	1 900 000	-	(1 777 363)	(8 498)	-	578 576
Disaster - Zoar	559 686	(37 688)	522 298	-	-	-	-	-	-	522 298
Thusong Centre	382 000	(382 000)	-	-	212 000	-	(212 000)	-	-	-
Upgrading Pumpstation	-	-	-	-	360 000	-	(252 679)	(35 375)	-	71 946
Revenue Enhancement	-	-	-	-	200 000	-	-	-	-	200 000
CFO Appointment	-	-	-	-	435 000	-	(376 697)	-	(52 286)	6 018
HR Project	250 000	-	250 000	-	-	-	-	-	-	250 000
<b>Total Provincial Government Grants</b>	<b>11 457 758</b>	<b>(4 404 672)</b>	<b>7 053 086</b>	<b>-</b>	<b>19 620 267</b>	<b>-</b>	<b>(16 204 215)</b>	<b>(4 124 170)</b>	<b>(832 444)</b>	<b>5 512 526</b>
<b>Other Grant Providers</b>										
Disaster Fund	2 537 433	(195 000)	2 342 433	-	-	-	-	-	-	2 342 433
Ladismith Water Project	128 118	-	128 118	-	-	-	-	-	-	128 118
Drought Relief	203 172	(203 172)	-	-	-	-	-	-	-	-
MSP	200	(200)	-	-	-	-	-	-	-	-
Greening Ladismith	629	(629)	-	-	-	-	-	-	-	-
Greening Zoar	20 556	(20 556)	-	-	-	-	-	-	-	-
Water Investigation Van Wyksdorp	10 703	(10 703)	-	-	-	-	-	-	-	-
LED Grant	9 888	(9 888)	-	-	-	-	-	-	-	-
Umsobomvu Project	28 763	-	28 763	-	-	-	-	-	-	28 763
<b>Total Other Grant Providers</b>	<b>2 939 442</b>	<b>(440 128)</b>	<b>2 499 314</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 499 314</b>
<b>Total</b>	<b>17 236 782</b>	<b>(5 614 662)</b>	<b>11 622 121</b>	<b>(582 000)</b>	<b>71 173 267</b>	<b>-</b>	<b>(43 231 283)</b>	<b>(24 804 986)</b>	<b>(4 105 520)</b>	<b>10 071 597</b>